

Notice of Final Agency Action

SUBJECT: MassHealth: Payment for Acute Hospital Services Effective November 1, 2007

AGENCY: Massachusetts Executive Office of Health and Human Services (EOHHS), Office of Medicaid

Introduction

The following describes and summarizes changes in MassHealth payment for services provided by in-state acute hospitals. A complete description of the rate year 2008 (RY2008) MassHealth acute hospital inpatient and outpatient payment methods and rates are available at www.mass.gov/masshealth (click on the link to “MassHealth Regulations and Other Publications” and the link to “Special Notices for Hospitals). For further information about RY2008 payment methods and rates, you may contact Kiki Feldmar at the Executive Office of Health and Human Services, Office of Acute and Ambulatory Care, 600 Washington Street, 6th Floor, Boston, MA 02111.

Change in Payment Method

1. Acute Hospital Inpatient Services

A. Summary of Rate Year 2008 Methodology for Calculating the Standard Payment Amount Per Discharge (SPAD) and other Inpatient Services Payments

For hospital rate year 2008, MassHealth will reimburse acute hospitals for Inpatient Admissions via a hospital-specific Standard Payment Amount per Discharge (SPAD). This fixed rate represents payment in full for all non-physician inpatient services for the first 20 days of an admission. Each hospital's SPAD is derived from the statewide average hospital cost per admission in 2005, standardized for case mix differences and area wage variation. An efficiency standard is determined by capping hospital costs, weighted by MassHealth discharges, at the 90% level of costs. The statewide average is adjusted for inflation and outliers. Costs EOHHS determines are routine outpatient costs associated with admissions from the emergency department and routine and ancillary outpatient costs resulting from admissions from observation status are included in the calculation of the statewide average hospital cost per admission. For each hospital, this statewide average is then adjusted for each hospital's wage area index and each hospital's specific case mix index. The paid claims of each hospital for patients transferred to another acute hospital (the “transfer per diem”) are included in the calculation of each hospital-specific case mix index calculation.

Several categories of costs are directly passed through into the hospital's rate (that is, they are excluded from the statewide average and efficiency adjustments). Hospital-specific costs resulting from malpractice insurance, organ acquisition, and direct medical education are treated as such “pass-throughs.” Capital payments are paid on a per-discharge basis, and are efficiency-adjusted. Costs are based on each hospital's FY05 Massachusetts Division of Health Care Finance and Policy (DHCFP) 403 Cost Report,

updated for the hospital's case mix index and inflation to the current year. The calculation of the pass-through and capital payment amounts includes a determination of the MassHealth average length of stay (ALOS). The ALOS is based on data obtained by the DHCFP and includes all MassHealth inpatient days, including outlier days.

In addition to the SPAD, EOHHS pays on a per diem basis under certain circumstances. Psychiatric services delivered in DMH-licensed psychiatric beds of acute hospitals are paid an all-inclusive statewide psychiatric per diem rate and acute hospitals are paid a rehabilitation per diem for services delivered in Rehabilitation Units. Services delivered to individuals who transfer among hospitals or among certain settings within a hospital, as well as inpatient outlier days, are paid adjusted per diem rates.

B. Summary of Changes in Methodology Related to the Calculation of the SPAD and other Inpatient Services

The payment method includes the following changes from the RY2007 payment method:

1. It applies an operating inflation update of 3.3% and a capital inflation update of 0.9%..
2. It restores the Primary Care incentive and Specialty Care disincentive in the Direct Medical Education Pass through cost calculation.
3. It updates the DRG Grouper from AP v12 to APR v20.
4. It reduces the Exempt Hospital rate from 95% to 90% of actual costs.
5. It provides for payments for services provided in Rehabilitation Units to all acute qualifying hospitals
6. It updates the base cost year from RY03 to RY05.
7. It eliminates one-time hold harmless provisions concerning rates and the one-time hold harmless provision concerning inpatient SPAD and per diem rates affected by the January 2007 update for area wage index designations.
8. It introduces a Pay for Performance (P4P) Initiative.

2. Outpatient Services

A. Summary of Rate Year 2008 Methodology for Calculating the Payment Amount Per Episode (PAPE) and Other Acute Outpatient Hospital Service Payments

The Payment Amount Per Episode (PAPE) methodology establishes a hospital-specific episodic rate for most MassHealth acute outpatient hospital services. The hospital-specific PAPE is based on an outpatient standard payment adjusted for hospital-specific

case mix. Certain services, including laboratory services are carved out of the PAPE calculation and payment. Laboratory services and services by hospital-based physicians are paid for in accordance with the applicable fee schedules adopted by DHCFP.

Calculation of the outpatient statewide standard is based on MassHealth payments for outpatient services in Hospital Rate Year 2006, as adjusted by (1) including outlier payments, (2) excluding payments for laboratory services, and (3) bundling only services received on the same day. The result of this calculation is adjusted for inflation to obtain the outpatient statewide standard factor for Hospital Rate Year 2008. The hospital-specific PAPE is determined by multiplying the outpatient statewide standard by each hospital's casemix index calculated by EOHHS.

B. Summary of Changes

The payment method includes the following change from the Hospital Rate Year 2007 payment method:

1. It applies an inflation update of 3.3%.
2. It provides an update of the APG weights from 1996 to 2004.
3. It calculates the PPS-Exempt hospitals at 120% rather than 130% of the statewide Standard.
4. It applies a one-time adjustment to the PAPE base year standard to implement the Massachusetts Health Care Reform Legislation at Section 128 of Chapter 58 of the Acts of 2006, as amended by c.324, sec 63 of the Acts of 2006 and c.61, sec 42 of the Acts of 2007.

4. Supplemental Hospital Payments

In addition to the payments specified above, EOHHS makes supplemental payments to certain qualifying hospitals. Supplemental payments are made to hospitals that qualify as Public Service Hospitals, Essential MassHealth Hospitals, Acute Hospitals with High Medicaid Discharges, High Public Payer Hospitals, Pediatric Specialty Hospitals and Hospitals with Pediatric Specialty Units, and safety net hospitals that qualify for payment pursuant to Section 122 of Chapter 58 of the Acts of 2006.

The following changes from the Hospital Rate Year 2007 supplemental payments are proposed:

1. A reduction in the Supplemental Medicaid payment to Freestanding Pediatric Acute Hospitals.
2. A reduction from the state fiscal year 2007 payment amount pursuant to Section 122 of Chapter 58 of the Acts of 2006.

3. An increase in supplemental payments to Public Service Hospitals.

5. Health Safety Net Office Payments to Acute Hospitals

A. Summary of Proposed Rate Year 2008 Methodology for Calculating Health Safety Net Payments to Acute Hospitals

Effective for dates of service beginning October 1, 2007, hospital payments for low-income patients will no longer be made from the Uncompensated Care Trust Fund, or in accordance with the payment method that was in effect for Hospital Rate Year 2007.

Hospitals will be paid based on Medicare principles for claims submitted to the Health Safety Net Office (“Office”). Health Safety Net (HSN) payment rates are determined in accordance with 114.6 CMR 14.00 for services that will be eligible for payment effective October 1, 2007 under 114.6 CMR 13.00. Outpatient Pharmacy payments are priced using MassHealth payment rates. For the period October 1, 2007 through March 31, 2008, the Office will establish transition payments for each hospital. The Office will reconcile the transition payments based on actual claims volume submitted during the transition period. A shortfall allocation methodology based on the greater proportional need of each hospital will be used to allocate any shortfall in funding available to hospitals.

For Hospital Rate Year 2008, hospitals are estimated to receive \$336.6 million from the Health Safety Net Trust Fund.

B. Summary of Changes

The proposed method includes the following changes from the Hospital Rate Year 2007 payment method:

1. It replaces the use of historical data as the basis of payments with payments based on Medicare rates, with different service types receiving different payment rates. Outpatient Pharmacy payments are based on MassHealth rates.
2. It establishes transition payments for the first 6 months of the rate year based on each hospital’s payment rates and projected demand, with a reconciliation based on actual claims.
3. It reinstates the use of a shortfall methodology to distribute funding based on the greater proportional need of each hospital in the event of a shortfall.

Justification

The MassHealth inpatient, outpatient, and supplemental hospital payment methods for rate year 2008 are substantially similar to those for 2007, except as specified above. Substantial changes to payments for low-income patients are being implemented as above to reflect the replacement of the Uncompensated Care Pool with Health Safety Net pursuant to Massachusetts Health Care Reform. All changes to hospital payment rates and methods are in accordance with state and federal law and are within the range of reasonable payment levels to acute hospitals.

General Information

EOHHS estimates that the changes in inpatient and outpatient rates described herein will increase annual fee-for-service expenditures for acute hospital services by approximately \$90.6 million. EOHHS estimates that aggregate annual payments to acute hospitals from the Health Safety Net Trust Fund will decrease by \$213.4 million, from FY07 payments from the Uncompensated Care Trust Fund in accordance with the requirements of M.G.L. c.118G, sec 39, as amended by St.2007, ch.61, sec 15. EOHHS estimates that aggregate annual supplemental payments to acute hospitals pursuant to Section 122 of Chapter 58 of the Acts of 2006 will decrease by \$20 million; supplemental payments to Freestanding Pediatric Acute Hospitals will decrease by \$1.94 million; and supplemental payments to Public Service Hospitals will increase by \$72 million. Accordingly, the total estimated effect of the proposed changes in total acute hospital expenditures is a net annual decrease of approximately \$72.8 million.

Statutory Authority: M.G.L. ch.118G; M.G.L. ch.118E; St. 2006, ch.58; St. 2007, ch.61; 42 USC 1396a; 42 USC 1396b; 42 USC 1315.

Related Regulations: 130 CMR 410, 415, 450; 114.1 CMR 36.00; 114.6 CMR 13.00, 14.00; 42 CFR Part 447.

Section 1: Introduction

The Massachusetts Executive Office of Health and Human Services (EOHHS) is issuing the Amended and Restated Request for Applications (RFA) to solicit applications from eligible, in-state Acute Hospitals wishing to participate as Massachusetts MassHealth Providers. An Acute Hospital's Contract will apply to (1) covered Acute Hospital Inpatient and Outpatient Services provided to MassHealth Members and recipients of Emergency Aid to the Elderly, Disabled and Children at any Acute Hospital Inpatient Departments, Outpatient Departments, and Satellite Clinics for which a reimbursement method is described in **Sections 5.C, 5.D, and 5.E**; and (2) covered Acute Hospital Inpatient and Outpatient Services provided to low-income patients as described in **Section 5.E**.

EOHHS intends to reimburse Hospitals for Inpatient and Outpatient Services according to the methodologies outlined in the RFA. For out-of-state Hospital reimbursements, see 130 CMR 415.404 for Inpatient Services and 130 CMR 410.404 for Outpatient and Emergency Department Services.

To be a MassHealth Provider of Hospital services other than Emergency Services, a Hospital must accept the rates of payment outlined in the RFA in accordance with the reimbursement methodology specified in the RFA as payment in full. EOHHS will contract with all eligible Hospitals that agree to accept these rates and reimbursement methodologies, and otherwise comply with requirements applicable to Acute Hospitals.

Acceptance of this level of reimbursement, participation in EOHHS' Quality Reporting and Pay-for-Performance (P4P) Initiative, and compliance with all other requirements, through completion and submission of a response to the RFA, is a condition of participation as a Provider in the MassHealth program for provision of non-Emergency Services by Massachusetts Acute Hospitals.

Failure to respond to the RFA by any Massachusetts Acute Hospital may result in its termination as a MassHealth Provider of non-Emergency Services, and in the termination of its Satellite Clinics. However, any inpatient unit within an Acute Hospital for which reimbursement is provided under another contract shall not be terminated as a MassHealth Provider.

Section 2: Definitions

The following terms appearing capitalized throughout the RFA and its appendices shall be defined as follows, unless the context clearly indicates otherwise.

Administrative Day (AD) — a day of inpatient hospitalization on which a Member's care needs can be provided in a setting other than an Acute Hospital, and on which the Member is clinically ready for discharge, but an appropriate institutional or non-institutional setting is not readily available. See 130 CMR 415.415 and 415.416.

Ambulatory Patient Group (APG) — a group of Outpatient Services that have been bundled for purposes of categorizing and measuring casemix. It is based on the 3M Corporation's APG version 2.1 Grouper.

Ambulatory Patient Group Payment System (APG Payment System) — the payment system described in MassHealth's Acute Hospital RFA and Contract effective February 1, 2002.

Average APG Weight Per Episode — an index of resources used, on average, in the PAPE Base Year to treat a MassHealth Member in the Hospital Outpatient Department or Satellite Clinic, as measured by the APG Payment System weights based on Total APG Payment.

Behavioral Health (BH) Contractor — the entity with which EOHHS contracts to provide Behavioral Health Services to enrolled Members.

Behavioral Health Services — services provided to Members who are being treated for psychiatric disorders or substance-related disorders.

Casemix — the description and categorization of a hospital's patient population according to criteria approved by EOHHS including, but not limited to, primary and secondary diagnoses, primary and secondary procedures, illness severity, patient age and source of payment.

Centers for Medicare & Medicaid Services (CMS) — the federal agency under the Department of Health and Human Services that is responsible for administering the Medicare and Medicaid programs.

Coinurance — a percentage of cost or a fee established by a Third-Party Insurance carrier for a specific service or item for which an individual is responsible when the service or supply is delivered. This cost or fee varies according to the individual's insurance carrier.

Commonwealth Health Insurance Connector (Connector) — the authority established by G.L. chapter 176Q, section 2.

Commonwealth Care Health Insurance program (Commonwealth Care) — a program established by G.L. chapter 118H, section 2 and administered by the Connector, in consultation with the office of Medicaid, which provides subsidies to assist eligible individuals in purchasing health insurance.

Community-Based Physician — any physician or physician group practice, excluding interns, residents, fellows, and house officers, who is not a Hospital-Based Physician. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths.

Contract (also **Hospital Contract** or **Agreement**) — the agreement executed between each selected Hospital and EOHHS, which is contained in **Appendix A** of the RFA, and incorporates all of the provisions of the RFA. Unless the context indicates that the term “RFA” refers exclusively to the procurement document as such, references to RFA shall constitute references to the Contract (or Agreement).

Contractor — each Hospital that is selected by EOHHS after submitting a satisfactory application in response to the RFA and that enters into a Contract with EOHHS to meet the purposes specified in the RFA.

Copayment — a predetermined fee that the Member is responsible for paying directly to the Provider for specific services.

Deductible — the amount an individual is required to pay in each calendar year, as specified in their insurance plan, before any payments are made by the insurer.

Department of Mental Health (DMH) — a department of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.

Division of Health Care Finance and Policy (DHCFP) — a division of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.

DMH-Licensed Bed — a bed in a Hospital that is located in a unit licensed by the Department of Mental Health (DMH), pursuant to 104 CMR 27.00 et seq.

Emergency Aid to the Elderly, Disabled and Children — the program operated by the Department of Transitional Assistance, pursuant to M.G.L. c. 117A, that furnishes and pays for limited medical services to eligible persons.

Emergency Department (ED) — a Hospital’s Emergency Room or Level I Trauma Center which is located at the same site as the Hospital’s inpatient department.

Emergency Medical Condition — a medical condition, whether physical or mental, manifesting itself by symptoms of sufficient severity, including severe pain, that, in the absence of prompt medical attention, could reasonably be expected by a prudent layperson who possesses an average knowledge of health and medicine to result in placing the health of a Member or another person or, in the case of a pregnant woman, the health of the woman or her unborn child, in serious jeopardy, serious impairment to body function, or serious dysfunction of any body organ or part, or, with respect to a pregnant woman, as further defined in section 1867(e)(1)(B) of the Social Security Act, 42 U.S.C. § 1395dd(e)(1)(B).

Emergency Services — covered Inpatient and Outpatient Services, including Behavioral Health Services, that are furnished to a Member by a Provider that is qualified to furnish such services under Title XIX of the Social Security Act, and are needed to evaluate or stabilize a Member's Emergency Medical Condition.

Episode — all Outpatient Services, except those described in **Sections 5.C.2** through **5.C.5**, delivered to a MassHealth Member where the services were delivered on a single calendar day.

Episode Cost — a Hospital's cost for delivering an Episode of care as determined by MassHealth. Episode Cost is the product of the Hospital's charges for those claim lines of an Episode that adjudicate to pay and the outpatient cost-to-charge ratio as calculated by DHCFP.

Excluded Units — Non-Acute Units as defined in this section; any unit which has a separate license from the Hospital; psychiatric and substance abuse units; and non-distinct observation units.

Executive Office of Health and Human Services (EOHHS) — the single state agency that is responsible for the administration of the MassHealth Program, pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act and other applicable laws and waivers.

Gross Patient Service Revenue — the total dollar amount of a Hospital's charges for services rendered in a fiscal year.

Hospital (also **Acute Hospital**) — any Hospital licensed under M.G.L. c. 111, § 51 and which meets the eligibility criteria set forth in **Section 3**.

Hospital-Based Physician — any physician or physician group practice (excluding interns, residents, fellows, and house officers) who contracts with a Hospital to provide Hospital Services to Members at a site for which the hospital is otherwise eligible for reimbursement under the RFA. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths. Nurse practitioners, nurse midwives, physician assistants, and other allied health professionals are not Hospital-Based Physicians.

Hospital-Licensed Health Center (HLHC) — a Satellite Clinic that (1) meets MassHealth requirements for reimbursement as an HLHC as provided at 130 CMR 410.413; and (2) is approved by and enrolled with MassHealth's Provider Enrollment Unit as an HLHC.

Inflation Factors for Administrative Days — an inflation factor that is a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI). Specifically, the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. The Inflation Factor for Administrative Days is as follows:

1.968 % reflects the price changes between state fiscal year 2007 and RY08

Inflation Factors for Capital Costs — the factors used by CMS to update capital payments made by Medicare. The Inflation Factors for Capital Costs between RY05 and RY08 are as follows:

0.7% reflects the price changes between RY05 and RY06

0.8% reflects the price changes between RY06 and RY07

0.9 % reflects the price changes between RY07 and RY08

Inflation Factors for Operating Costs — for price changes between RY05 and RY07, a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI) in which the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. For price changes between RY07 and RY08, the inflation factor for operating costs is the CMS market basket. The Inflation Factors for Operating Costs between RY05 and RY08 are as follows:

1.846% reflects price changes between RY05 and RY06

1.637% reflects price changes between RY06 and RY07

3.300% reflects price changes between RY07 and RY08

Inpatient Admission — the admission of a Member to an Acute Hospital for the purpose of receiving Inpatient Services in that Hospital.

Inpatient Services — medical services, including behavioral health services, provided to a Member admitted to an Acute Hospital. Payment rules regarding Inpatient Services are found in 130 CMR Parts 415 and 450, the regulations referenced therein, **Appendix F** to the MassHealth Acute Inpatient Hospital Manual, MassHealth billing instructions, and the RFA.

Insurance Payment — a payment received from any entity or individual legally responsible for paying all or part of the medical claims of MassHealth Members. Sources of payments include, but are not limited to: commercial health insurers, Medicare, MCOs, personal injury insurers, automobile insurers, and Workers' Compensation.

Liability — the obligation of an individual to pay, pursuant to the individual's Third-Party Insurance, for the services or items delivered (i.e., Coinsurance, Copayment or Deductible).

Managed Care Organization (MCO) — any entity with which EOHHS contracts to provide Primary Care and certain other medical services, including behavioral health services, to Members on a capitated basis and which meets the definition of an MCO as set forth in 42 CFR Part 438.2. MCOs also contract with the Connector to provide services to Commonwealth Care enrollees.

MassHealth (also Medicaid) — the Medical Assistance Program administered by EOHHS to furnish and pay for medical services pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act, and any approved waivers of such provisions.

MassHealth Average Length of Stay (ALOS) — the sum of non-psychiatric inpatient days for MassHealth admissions from October 1, 2005, through September 30, 2006, reported by each Hospital to DHCFP, including Outlier Days, divided by the sum of SPAD and Transfer admissions, using the casemix data accepted into DHCFP's database as of June 12, 2007.

Member — a person determined by EOHHS to be eligible for medical assistance under the MassHealth program.

Non-Acute Unit — a chronic care, rehabilitation, or skilled nursing facility within a Hospital.

Observation Services — outpatient Hospital Services provided anywhere in an Acute Hospital to evaluate a Member's condition and determine the need for admission to an Acute Hospital. Observation Services are provided under the order of a physician, consist of the use of a bed and intermittent monitoring by professional licensed clinical staff, and may be provided for more than 24 hours. Payment rules regarding Observation Services are found in 130 CMR 410.414, **Appendix E** to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions, and the RFA.

Outlier Day — each day beyond 20 acute days, during a single admission, for which a Member remains hospitalized at acute status, other than in a DMH-Licensed Bed.

Outpatient Department (also **Hospital Outpatient Department**) — a department or unit located at the same site as the Hospital's inpatient facility, or at a School-Based Health Center that operates under the Hospital's license and provides services to Members on an ambulatory basis. Hospital Outpatient Departments include day surgery units, Primary Care clinics, specialty clinics, and Emergency Departments.

Outpatient Services (also **Outpatient Hospital Services**) — medical services, including behavioral health services, provided to a Member on an outpatient basis, by or under the direction of a physician or dentist, in a Hospital Outpatient Department or Satellite Clinic for which a reimbursement method is specified in **Section 5.C**. Such services include, but are not limited to, Emergency Services, Primary Care services, Observation Services, ancillary services, and day surgery services. Payment rules regarding services provided to Members on an outpatient basis are found in 130 CMR Parts 410 and 450, **Appendix E** to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions, and the RFA.

PAPE Base Year — the Base Year for the PAPE is RY06, paid as of July 6, 2007.

PAPE Covered Services — MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics, except those services described in **Sections 5.C.2** through **5.C.5**.

Pass-Through Costs — organ acquisition, malpractice, and direct medical education costs that are paid on a cost-reimbursement basis and are added to the Hospital-specific standard payment amount per discharge.

Pay-for-Performance Initiative (P4P) – MassHealth's method for quality scoring and converting quality scores to rate payments contingent upon Hospital adherence to quality standards and achievement of performance thresholds and benchmarks in accordance with the provisions of G.L. c. 118E, sec. 13B and Chapter 58, Section 128 of the Acts of 2006 (as amended by Chapter 324, Section 62 of the Acts of 2006 and Chapter 61, Section 42 of the Acts of 2007).

Payment Amount Per Episode (PAPE) — a Hospital-specific payment for all PAPE Covered Services provided by a Hospital to a MassHealth Member on an outpatient basis in one Episode except those services described in **Sections 5.C.2** through **5.C.5**.

Pediatric Specialty Hospital — an Acute Hospital which limits admissions primarily to children and which qualifies as exempt from the Medicare prospective payment system regulations.

Pediatric Specialty Unit — a pediatric unit in an Acute Hospital which maintains a burn center verified by the American Burn Center and the American College of Surgeons and a Level I trauma center for pediatrics verified by the American College of Surgeons as of July 1, 2006, or in which the ratio of licensed pediatric beds to total licensed Hospital beds as of July 1, 1994, exceeded 0.20, unless located in a facility already designated as a Specialty Hospital.

PPS-Exempt Hospitals — those Hospitals excluded from the Medicare outpatient prospective payment system as of December 31, 2005.

Primary Care — all health care services customarily furnished by or through a general practitioner, family physician, internal medicine physician, obstetrician/gynecologist, pediatrician, nurse practitioner, or nurse midwife to the extent the furnishing of those services is legally authorized in the Commonwealth.

Primary Care Clinician (PCC) — a physician, independent nurse practitioner, group practice organization, community health center, Hospital-Licensed Health Center or Acute Hospital Outpatient Department with an executed MassHealth PCC Plan Provider contract.

Primary Care Clinician Plan (PCC Plan) — a comprehensive managed care plan, administered by EOHHS, through which enrolled MassHealth Members receive Primary Care, behavioral health, and other medical services. See 130 CMR 450.118.

Projected Average APG Weight Per Episode — the Hospital-specific average of the projected APG weights per Episode for RY08. The projected monthly average APG payments are the result of projecting the trend of monthly average APG weights from January 2002 - September 2006, through September 2007.

Provider — an individual or entity that has a written contract with EOHHS to provide medical goods or services to Members.

Psychiatric Per Diem — a statewide per diem payment for psychiatric services provided to members in DMH-Licensed beds who are not enrolled with the BH Contractor or MCO.

Psychiatric Per Diem Base Year — the base year for the psychiatric per diem is RY04, using RY04 DHCFP 403 Cost Reports as screened and updated as of as of March 10, 2006.

Public Service Hospital — any public Acute Hospital or any Acute Hospital operating pursuant to Chapter 147 of the Acts & Resolves of 1995 which has a private sector payer mix that

constitutes less than 35% of its Gross Patient Service Revenue (GPSR) and where uncompensated care constitutes more than 10% of its GPSR.

Quality and Performance Initiatives — data-driven systemic efforts, anchored on measurement-driven activities, including Pay-for-Performance (P4P) initiatives, to improve performance of health-delivery systems that result in positive outcomes and cost-effective care.

Rehabilitation Unit — a distinct unit of rehabilitation beds in a Department of Public Health (DPH)-licensed Acute Hospital that provides comprehensive Rehabilitation Services to Members with appropriate medical needs.

Rehabilitation Services — services provided in an Acute Hospital that are medically necessary to be provided at a Hospital level of care, to a member with medical need for an intensive rehabilitation program that requires a multidisciplinary coordinated team approach to upgrade his/her ability to function with a reasonable expectation of significant improvement that will be of practical value to the Member measured against his/her condition at the start of the rehabilitation program.

Rate Year (RY) — generally, the period beginning October 1 and ending the following September 30. RY08 will begin on November 1, 2007, and end on September 30, 2008.

Satellite Clinic — a facility that operates under a Hospital's license, is subject to the fiscal, administrative, and clinical management of the Hospital, provides services to Members solely on an outpatient basis, is not located at the same site as the Hospital's inpatient facility, and demonstrates to EOHHS' satisfaction that it has CMS provider-based status in accordance with 42 CFR 413.65.

School-Based Health Center (SBHC) — a center located in a school setting which: (1) provides health services to MassHealth Members under the age of 21; (2) operates under a Hospital's license; (3) is subject to the fiscal, administrative, and clinical management of a Hospital Outpatient Department or HLHC; and (4) provides services to Members solely on an outpatient basis.

Sole Community Hospital — any Acute Hospital classified as a Sole Community Hospital by CMS' Medicare regulations, or any Hospital which demonstrates to the Division of Health Care Finance and Policy's satisfaction that it is located more than 25 miles from other Acute Hospitals in the Commonwealth and that it provides services for at least 60% of its primary service area; or any such Hospital as otherwise defined in M.G.L. c. 118G.

SPAD Base Year — The hospital-specific base year for the Standard Payment Amount per Discharge is RY05 using the RY05 DHCFP 403 cost report as screened and updated as of June 6, 2007.

Specialty Hospital — any Acute Hospital that limits admissions to children; or to patients under active diagnosis and treatment of eyes, ears, nose, and throat; or diagnosis and treatment of cancer, and which qualifies as exempt from the Medicare prospective payment system regulations.

Standard Payment Amount Per Discharge (SPAD) — a Hospital-specific all-inclusive payment for the first twenty cumulative acute days of an inpatient hospitalization, which is complete payment for an acute episode of illness, excluding the additional payment of Outlier Days, Transfer Per Diems, Administrative Days and Physician Payments.

Third-Party Insurance — any insurance, including Medicare, that is or may be liable to pay all or part of the Member's medical claims. Third-Party Insurance includes a MassHealth Member's own insurance.

Total APG Payment — an adjusted calculation of total payment for PAPE Covered Services provided to MassHealth Members in the PAPE Base Year using MassHealth's APG Payment System, calculating the Episode Cost using the RY06 outpatient cost-to-charge ratio, and defining an Episode as any PAPE Covered Service(s) provided to a MassHealth Member in the Hospital Outpatient Department or Satellite Clinic in a calendar day.

Transfer Patient — any inpatient who meets any of the following criteria: (1) is transferred between Acute Hospitals; (2) is transferred between a DMH-Licensed Bed and a medical/surgical unit in an Acute Hospital; (3) is receiving treatment for a substance-related disorder or mental health-related services and whose enrollment status with the BH Contractor changes; (4) who becomes eligible for MassHealth after the date of admission and prior to the date of discharge; (5) is a Member who exhausts other insurance benefits after the date of admission and prior to the date of discharge; (6) who transfers, after the date of admission, from the PCC Plan or non-managed care to an MCO, or from an MCO to the PCC Plan or non-managed care; or (7) has a primary diagnosis of a psychiatric disorder in a non-DMH-Licensed Bed.

Usual and Customary Charge — a routine fee that Hospitals charge for Acute Inpatient and Outpatient Services, regardless of payer source.

Section 3: Eligible Applicants

- A.** In-state Acute Hospitals are eligible to apply for a Contract pursuant to the RFA if they:
- 1.** Operate under a Hospital license issued by the Massachusetts Department of Public Health (DPH);
 - 2.** Are Medicare-certified and participate in the Medicare program;
 - 3.** Have more than 50% of their beds licensed as medical/surgical, intensive care, coronary care, burn, pediatric (Level I or Level II), pediatric intensive care (Level III), maternal (Obstetrics), or neonatal intensive care beds (Level III), as determined by DPH; and
 - 4.** Currently utilize more than 50% of their beds exclusively as either medical/surgical, intensive care, coronary care, burn, pediatric (Level I or Level II), pediatric intensive care (Level III), maternal (Obstetrics), or neonatal intensive care beds (Level III), as determined by EOHHS.

In determining whether a Hospital satisfies the utilization requirement set forth in **Section 3.A.4**, EOHHS may evaluate, pursuant to an on-site audit or otherwise, a number of factors including, but not limited to, the average length of patient stay (see **Section 10.B.5** of the RFA) at that Hospital.

- B.** The Hospital shall apply on behalf of all Inpatient Departments, Outpatient Departments, Emergency Departments and Satellite Clinics.
- C.** The Hospital is not permitted to apply on behalf of, or claim payment for services provided by, any other related clinics, Provider groups, or other entities, except as otherwise provided in **Sections 5.B.9** and **5.C**.

Section 4: Non-Covered Services, Program Initiatives and Ambulatory Services Not Covered by the PAPE

A. Non-Covered Services

EOHHS will reimburse MassHealth-participating Hospitals at the rates established in the RFA and accompanying Contract for all covered Inpatient, Outpatient, and Emergency Services provided to MassHealth Members *except* for the following:

1. Behavioral Health Services for Members Enrolled with the BH Contractor

EOHHS' BH Contractor contracts with providers to form a network through which behavioral health services are delivered to MassHealth Members enrolled with the BH Contractor. Hospitals in the BH Contractor's network qualify for fee-for-service payments solely by the BH Contractor for services to Members enrolled with the BH Contractor, pursuant to contracts between the BH Contractor and each contracting Hospital.

Hospitals that are not in the BH Contractor's network (hereinafter "non-network Hospitals") do not qualify for MassHealth reimbursement for Members enrolled with the BH Contractor who receive non-Emergency or Post-Stabilization Behavioral Health Services, except in accordance with a service-specific agreement with the BH Contractor.

Non-network Hospitals that provide medically necessary behavioral health Emergency and Post-Stabilization Services to Members enrolled with the BH Contractor qualify for fee-for-service reimbursement solely by the BH Contractor. Such reimbursement is available only if the Hospital complies with the BH Contractor's billing requirements and any applicable service authorization requirements that are permissible under federal law at 42 USC 1396u-2(b)(2), 42 CFR 438.114, and 42 CFR 422.113(c). In accordance with the preceding federal law, and with 42 CFR 422.214(b), if a Member enrolled with the BH Contractor receives inpatient or outpatient behavioral health Emergency and Post-Stabilization Services and the BH Contractor offers to pay the non-network Hospital a rate equal to that Hospital's applicable RFA rate less any amount for graduate medical education, the non-network Hospital must accept the BH Contractor's rate offer as payment in full for such behavioral health Emergency and Post-Stabilization Services. Nothing in this paragraph prohibits the BH Contractor from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable RFA rate less any amount for graduate medical education for Behavioral Health Emergency and Post-Stabilization Services.

Hospitals are not entitled to any fee-for-service reimbursement from EOHHS, and may not claim such reimbursement for any services that are BH Contractor-covered services or are otherwise reimbursable by the BH Contractor. Any such fee-for-service payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under

such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

2. MCO Services

Hospitals that provide medically necessary MCO-covered services, including Emergency and Post-Stabilization Services, qualify for fee-for-service reimbursement solely by the MCO.

Except as provided below for Emergency and Post-Stabilization Services, if an MCO offers to pay a non-network Hospital a rate equivalent to that Hospital's applicable inpatient RFA transfer per diem for each day of the stay up to the Hospital-specific SPAD and psychiatric per diem rates for Inpatient Services to all of the MCO's MassHealth enrollees, that Hospital is required to accept the MCO's inpatient rate offer as payment in full for all the MCO's MassHealth enrollees who are inpatients at that Hospital. This requirement does not prohibit an MCO from choosing to pay any non-network Hospital at inpatient rates higher or lower than the Hospital's applicable inpatient RFA transfer per diem for each day of the stay up to the Hospital-specific SPAD and psychiatric per diem rates for Inpatient services to the MCO's MassHealth enrollees.

Except as provided below for Emergency and Post-Stabilization Services, if an MCO offers to pay a non-network Hospital a rate equivalent to that Hospital's applicable RFA rates for services provided by the Hospital on an outpatient basis to all the MCO's MassHealth enrollees (including outpatient psychiatric services), that Hospital is required to accept the MCO's outpatient rate offer as payment in full for all the MCO's MassHealth enrollees who are outpatients at that Hospital. This requirement does not prohibit an MCO from choosing to pay any non-network Hospital at outpatient rates higher or lower than the Hospital's applicable outpatient RFA rates for services provided by the Hospital on an outpatient basis to all the MCO's MassHealth enrollees.

In accordance with 42 USC 1396u-2(b)(2), 42 CFR 438.114, 42 CFR 422.113(c), and 42 CFR 422.214(b), if an MCO offers to pay a non-network Hospital a rate equal to the Hospital's applicable RFA rate less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the MCO's MassHealth enrollees, that non-network Hospital must accept the MCO's rate offer as payment in full. This requirement does not prohibit an MCO from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any fee-for-service reimbursement from EOHHS, and may not claim such reimbursement for any services that are MCO-covered services or are otherwise reimbursable by the MCO. Any such fee-for-service payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

3. Commonwealth Care MCO Services

Hospitals that provide medically necessary MCO-covered services, including Emergency and Post-Stabilization Services, qualify for fee-for-service reimbursement solely by the MCO.

Except as provided below for Emergency and Post-Stabilization Services, if an MCO under contract with the Connector offers to pay a non-network Hospital a rate equivalent to that Hospital's applicable inpatient RFA transfer per diem for each day of the stay up to the Hospital-specific SPAD and psychiatric per diem rates for Inpatient Services to all of the MCO's Commonwealth Care enrollees, that Hospital is required to accept the MCO's inpatient rate offer as payment in full for all the MCO's Commonwealth Care enrollees who are inpatients at that Hospital. This requirement does not prohibit an MCO from choosing to pay any non-network Hospital at inpatient rates higher or lower than the Hospital's applicable inpatient RFA transfer per diem for each day of the stay up to the Hospital-specific SPAD and psychiatric per diem rates for Inpatient services to the MCO's Commonwealth Care enrollees.

Except as provided below for Emergency and Post-Stabilization Services, if an MCO under contract with the Connector offers to pay a non-network Hospital a rate equivalent to that Hospital's applicable RFA rates for services provided by the Hospital on an outpatient basis to all the MCO's Commonwealth Care enrollees (including outpatient psychiatric services), that Hospital is required to accept the MCO's outpatient rate offer as payment in full for all the MCO's Commonwealth Care enrollees who are outpatients at that Hospital. This requirement does not prohibit an MCO from choosing to pay any non-network Hospital at outpatient rates higher or lower than the Hospital's applicable outpatient RFA rates for all services provided by the Hospital on an outpatient basis to the MCO's Commonwealth Care enrollees.

If an MCO under contract with the Connector offers to pay a non-network Hospital a rate equal to the Hospital's applicable RFA rate less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the MCO's Commonwealth Care enrollees, that non-network Hospital is required to accept the MCO's rate offer as payment in full. This requirement does not prohibit an MCO from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any reimbursement from EOHHS, and may not claim such reimbursement for any services provided to Commonwealth Care enrollees. Any payment by EOHHS for such services shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

4. Air Ambulance Services

In order to receive reimbursement for air ambulance services, Hospitals must have a separate contract with EOHHS for such services.

5. Non-Acute Units and Other Separately Licensed Units in Acute Hospitals

Unless otherwise specified in the RFA, EOHHS shall not reimburse Acute Hospitals through the RFA and the accompanying contract for services provided to Members in Non-Acute Units, other than Rehabilitation Units, and any units which have a separate license, such as a skilled nursing unit, or any unit which is licensed to provide services other than Acute Hospital services as described in **Section 3.A.4**.

B. Program Initiatives

1. Hospital Services Reimbursed through Other Contracts or Regulations

The Commonwealth may institute special program initiatives, other than those in the RFA, which provide, through contract or regulation, alternative reimbursement methodologies for Hospital services or certain Hospital services. In such cases, payment for such services is made pursuant to the contract or regulations governing the special program initiative, and not through the RFA and resulting Contract.

2. Demonstration Projects

It is an EOHHS priority to ensure that MassHealth Members receive quality medical care at sites of service that promote delivery of such medical care in a cost-effective and efficient manner. In furtherance of this objective, and subject to state and federal approval requirements, if any, EOHHS may, through separate contracts or through the RFA, institute demonstration projects with Hospitals to develop innovative approaches to encourage site-appropriate delivery of services. Such demonstration projects will be designed to focus on ensuring that Hospitals provide or facilitate the provision of quality services to MassHealth Members in a manner that is efficient and cost-effective and that may include alternative reimbursement methodologies for Hospital services or certain Hospital services.

3. MassHealth Drug List

To help ensure consistency in medication regimens and services, prescribers should conform to the MassHealth Drug List (see www.mass.gov/druglist) whenever medically appropriate for inpatients, outpatients, and upon discharge.

C. Ambulatory Services Not Covered by the PAPE

The following services provided by Hospitals to MassHealth Members on an outpatient basis are not paid pursuant to the Acute Hospital RFA and Contract: audiology dispensing, vision care dispensing, ambulance services, psychiatric day treatment, dental, early intervention, home health, adult day health and adult foster care. Hospitals must continue to conform to the separate provider participation and reimbursement requirements for those MassHealth programs.

Section 5: Reimbursement System

A. General Provisions

Acute Hospitals that participate in the MassHealth program under the terms of the Hospital Contract and its accompanying payment methodology shall accept payment at the rates established in the RFA as payment in full for services reimbursable by EOHHS that are rendered to MassHealth Members admitted as inpatients or treated as outpatients on or after November 1, 2007.

Non-acute units, other than Rehabilitation Units, and units within Hospitals that operate under separate licenses, such as skilled nursing units, will not be affected by this methodology.

The rate of reimbursement to disproportionate share Hospitals, as defined in M.G.L. c. 118G § 1, is subject to promulgation by the Division of Health Care Finance and Policy (DHCFP) of the rate methodology described below.

Pursuant to M.G.L. c. 118E, §9 (as amended by c. 211 of the Acts of 2006), which describes pre-admission counseling for long-term care, Hospitals will undertake the following activities in connection with instructions that may be issued from time to time by EOHHS: (i) inform patients of the availability of EOHHS-approved counseling services; (ii) identify patients who might benefit from counseling (iii) distribute informational materials to patients; and (iv) participate in training events organized by EOHHS.

B. Payment for Inpatient Services (Rates in Appendix C)

1. Overview

Except as otherwise provided in **Sections 5.B.6 through 5.B.12**, payments for Inpatient Services provided to MassHealth Members not enrolled in an MCO will be reimbursed a Hospital-specific Standard Payment Amount per Discharge (SPAD) (see **Section 5.B.2**) which will consist of the sum of (1) a statewide average payment amount per discharge that is adjusted for wage area differences and the Hospital-specific MassHealth casemix; (2) a per-discharge, Hospital-specific payment amount for Hospital-specific expenses for malpractice and organ acquisition costs; (3) a per-discharge Hospital-specific payment amount for direct medical education costs, which includes a Primary Care training incentive and a specialty care reduction; and (4) a per-discharge payment amount for the capital cost allowance, adjusted by a Hospital-specific casemix and by a capital inflation factor. Each of these elements is described in **Sections 5.B.2 through 5.B.5**.

Payment for psychiatric services provided in DMH-Licensed Beds to MassHealth Members who are not served either through a contract between EOHHS and its BH

Contractor or an MCO shall be made through an all-inclusive Psychiatric Per Diem. (See **Section 5.B.6.**)

Payment for psychiatric services provided in beds that are not DMH-Licensed Beds shall be made at the Transfer per diem rate, capped at the Hospital's SPAD (see **Section 5.B.6** and **5.B.7**).

Payment for physician services rendered by Hospital-Based Physicians will be made as described in **Section 5.B.9**.

2. Calculation of the Standard Payment Amount Per Discharge (SPAD)

In the development of each Hospital's standard payment amount per discharge (SPAD), EOHHS used the SPAD Base Year costs; and RY06 Merged Casemix/Billing Tapes as accepted by DHCFP as the primary sources of data to develop base operating costs per discharge.

The statewide average payment amount per discharge is based on the actual statewide costs of providing Inpatient Services in the SPAD Base Year cost report. The average payment amount per discharge in each Hospital was derived by dividing total inpatient Hospital costs by total inpatient Hospital discharges, omitting those costs and discharges from Excluded Units. Routine outpatient costs associated with admissions from the Emergency Department and routine and ancillary outpatient costs resulting from admissions from observation status were included. The cost centers which are identified as the supervision component of physician compensation and other direct physician costs were included; professional services were excluded. All other medical and non-medical patient care-related staff expenses were included.

Malpractice costs, organ acquisition costs, capital costs, and direct medical education costs were excluded from the calculation of the statewide average payment amount per discharge.

The average payment amount per discharge for each Hospital was then divided by the Hospital's Massachusetts-specific wage area index and by the Hospital-specific RY05 all-payer Casemix Index that was determined by using RY05 discharges and using the version APR20 of the 3M grouper and Massachusetts weights. For the Massachusetts Hospitals in the areas designated by the Geographical Classification Review Board of the Centers for Medicare and Medicaid Services (CMS), the average hourly wage of each area was calculated from the CMS Hospital Wage Index Federal Fiscal Year 2008 – Wage Index Final Rule Worksheet S-3 Wage Data File – Edit 9 – 050207.xls downloaded June 19, 2007. Each area's average hourly wage was then divided by the statewide average hourly wage to determine the area's wage index. For the calculation of the Springfield area index, Baystate Medical Center's wages and hours were included. This step results in the calculation of the standardized costs per discharge for each Hospital.

All Hospitals were then ranked from lowest to highest with respect to their standardized costs per discharge; a cumulative frequency of MassHealth discharges for the Hospitals

was produced from the casemix data described below. The efficiency standard was established at the cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 90% of the total number of statewide discharges for October 1, 2005, through September 30, 2006. The RY08 efficiency standard is \$10,637.85.

The statewide average payment amount per discharge was then determined by multiplying a) the weighted mean of the standardized cost per discharge, as limited by the efficiency standard; by b) the outlier adjustment factor of 95%; and by (c) the Inflation Factors for Operating Costs between RY05 and RY08. The resulting RY08 statewide average payment amount per discharge is \$7,952.26.

The statewide average payment amount per discharge was then multiplied by the Hospital's MassHealth Casemix Index adjusted for outlier acuity (using version APR20 of the 3MGroup and Massachusetts weights) and the Hospital's Massachusetts-specific wage area index to derive the Hospital-specific standard payment amount per discharge (SPAD). To develop the Hospital's RY08 Casemix Index, EOHHS used casemix discharge data submitted to DHCFP by the Hospital, as accepted into DHCFP's database as of June 21, 2007, for the period October 1, 2005, through September 30, 2006, which was then matched with the MassHealth SPAD and transfer claims for MassHealth discharges during the same period to ensure that only MassHealth claims for discharges were included in the final Casemix Index calculations. The casemix data did not include discharges from Excluded Units. The wage area indexes were derived from the CMS Hospital Wage Index File (RY04, updated as of June 19, 2007).

Costs for outpatient ancillary services for Members admitted from observation status are included in Hospital-specific SPADs.

An outlier adjustment is used for the payment of Outlier Days as described in **Section 5.B.8.**

When groupers are changed and modernized, it may be necessary to adjust the base payment rate so that overall payment levels are not affected solely by the grouper change. This aspect of "budget neutrality" is an approach that EOHHS is following, and one that has been a feature of the Medicare Diagnosis-Related Group (DRG) program since its inception. EOHHS reserves the right to update to a new grouper.

3. Calculation of the Pass-Through Amounts per Discharge

The inpatient portion of malpractice insurance and organ acquisition costs was derived from each Hospital's RY06 DHCFP 403 cost report as screened and updated by DHCFP as of June 12, 2007. This portion of the Pass-Through amount per discharge is the sum of the Hospital's per-discharge costs of malpractice and organ acquisition costs. In each case, the amount is calculated by dividing the Hospital's inpatient portion of expenses by the number of total, all-payer days for the SPAD Base Year and then

multiplying the cost per diem by the Hospital-specific MassHealth Average Length of Stay.

This portion of the RY08 Pass-Through amount per discharge is the product of the per diem costs of inpatient malpractice and organ acquisition costs and the Hospital-specific MassHealth Average Length of Stay, omitting such costs related to services in Excluded Units. The days used in the denominator are also net of days associated with such units.

The inpatient portion of direct medical education costs was derived from each Hospital's RY06 DHCFP 403 cost report submitted to DHCFP, as screened and updated as of June 12, 2007. This portion of the Pass-Through amount was calculated by dividing the Hospital's inpatient portion of direct medical education expenses by the number of total inpatient days and then multiplying the cost per diem by the Hospital-specific MassHealth Average Length of Stay. EOHHS has incorporated an incentive in favor of Primary Care training, which was factored into the recognized direct medical education costs by weighting costs in favor of Primary Care resident training. An incentive of 26% of each Hospital's costs was added to its per-discharge cost of Primary Care resident training; 19% of each Hospital's costs was subtracted from its per-discharge costs of specialty care resident training. The number of Primary Care and specialty care residents was derived from data provided to EOHHS by the Hospitals. For the purposes of this provision, Primary Care resident training is training in internal medicine for general practice, family practice, OB/GYN, or pediatrics.

4. Capital Payment Amount per Discharge

The capital payment per discharge is a standard, prospective payment for all Hospitals, except for those Hospitals with unique circumstances, as set forth in **Sections 5.D.1** through **5.D.3**, that meet the criteria set forth in the final paragraph of this section. The capital payment is a casemix-adjusted capital cost limit, based on the SPAD Base Year costs updated by the Inflation Factors for Capital Costs between RY05 and RY08.

For each Hospital, the total inpatient capital costs include building and fixed equipment depreciation, major moveable equipment depreciation, major moveable equipment, and long- and short-term interest. Total capital costs are allocated to Inpatient Services through the square-footage-based allocation formula of the DHCFP 403 cost report. Capital costs for Excluded Units were omitted to derive net inpatient capital costs. The capital cost per discharge was calculated by dividing total net inpatient capital costs by the Hospital's total SPAD Base Year days, net of Excluded Unit days, and then multiplying by the Hospital-specific MassHealth Average Length of Stay.

The casemix-adjusted capital cost standard was determined by (a) dividing the cost per discharge by the All-Payer APR20 Casemix Index; (b) sorting these adjusted costs in ascending order; and (c) producing a cumulative frequency of discharges. The casemix-adjusted efficiency standard was established at the capital cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 90% of the total number of discharges.

Each Hospital's capital cost per discharge was then held to the lower of its capital cost per discharge or the casemix-adjusted efficiency standard, to arrive at a capped capital cost per discharge. Each Hospital's capped capital cost per discharge is then multiplied by the Hospital's number of MassHealth discharges. The product of the capped capital cost per discharge and the number of MassHealth discharges for each Hospital was then summed and divided by the total number of MassHealth discharges statewide, to arrive at a statewide weighted average capital cost per discharge.

The statewide weighted average capital cost per discharge was then updated by the Inflation Factors for Capital Costs for CMS-designated Rural and Urban Hospitals between RY05 and RY08. The statewide weighted average capital cost per discharge for RY08 is \$506.04.

The Hospital-specific capital payment per discharge was determined by multiplying the statewide weighted average capital cost per discharge by the Hospital's RY08 Casemix Index as determined in **Section 5.B.2** above.

5. Maternity and Newborn Rates

Maternity cases in which delivery occurs will be paid on a SPAD basis with one SPAD paid for the mother and one SPAD paid for the newborn. Payment for *all* services (except physician services) provided in connection with such a maternity stay is included in the SPAD amount.

6. Payments for Psychiatric Services

Services provided to MassHealth Members in DMH-Licensed Beds who are not enrolled with the BH Contractor or an MCO shall be paid through an all-inclusive psychiatric per diem, as described below. This payment mechanism does not apply to cases in which psychiatric services are provided to Members enrolled with the BH Contractor or an MCO, except as set forth in **Sections 4.A.1** and **4.A.2**.

a. Statewide Standard Psychiatric Per Diem

The Statewide Standard Psychiatric Per Diem Rate is derived using the sum of the following: the Acute Hospital Psychiatric Standard for Overhead Costs, the Acute Hospital Psychiatric Standard for Direct Routine Costs, the Acute Hospital Psychiatric Standard for Direct Ancillary Costs, the Acute Hospital Psychiatric Standard for Capital Costs, plus the Adjustment to Base Year Costs.

b. Data Sources

The base year for inpatient costs is the hospital fiscal year (HFY) 2004. MassHealth utilizes the costs, statistics, and revenue reported in the HFY 2004 DHCFP-403 cost reports.

c. Determination of Base Year Operating Standards

- (1) The Standard for Inpatient Psychiatric Overhead Costs is the median of the Inpatient Psychiatric Overhead Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.
- (2) The Standard for Inpatient Psychiatric Direct Routine Costs is the median of the Inpatient Psychiatric Direct Routine Costs Per Day (minus direct routine physician costs) for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.
- (3) The Standard for Inpatient Psychiatric Direct Ancillary Costs is the median of the Inpatient Psychiatric Direct Ancillary Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

d. Determination of Base Year Capital Standard

- (1) Each hospital's base year capital costs consist of the hospital's actual Base Year patient care capital requirement for historical depreciation for building and fixed equipment, reasonable interest expenses, amortization, leases, and rental of facilities. Any gains from the sale of property will be offset against the hospital's capital expenses.
- (2) Each hospital's base year Psychiatric Capital Cost Per Day equals the base year psychiatric capital cost divided by the greater of: the actual base year psychiatric days or eighty-five percent (85%) of the base year maximum licensed psychiatric bed capacity, measured in days.
- (3) The Standard for Inpatient Psychiatric Capital Costs is the median of the Inpatient Psychiatric Capital Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

- e. Adjustment to Base Year Costs:** The Standards for Overhead Costs, Direct Routine Costs, and Direct Ancillary Costs are updated using a composite index, which is a blend of CMS' Hospital Prospective Market Basket and the Massachusetts Consumer Price Index. The CMS Capital Input Price Index adjusts the base year capital cost to determine the capital amount. The year-to-year update factors between the base year and RY2007 were used in the rate calculation of the annual inflation rates for operating costs and capital costs.

Payment for psychiatric services provided in beds that are not DMH-Licensed Beds shall be made at the Transfer per diem rate, capped at the Hospital's SPAD. See **Sections 5.B.7.b(4) and 5.B.7.b(5)** for payment rules involving transfers to and from DMH-Licensed Beds and BH managed care status.

7. Transfer Per Diem Payments

a. Transfer Between Hospitals

In general, payments for patients transferred from one Acute Hospital to another will be made on a transfer per diem basis, capped at the Hospital-specific SPAD for the Hospital that is transferring the patient.

In general, the Hospital that is receiving the patient will be paid on a per-discharge basis in accordance with the standard methodology specified in **Sections 5.B.2 through 5.B.5**, if the patient is actually discharged from that Hospital. This includes when a patient is transferred back and is subsequently discharged from the original Hospital. If the patient is transferred to another Hospital, then the transferring Hospital will be paid at the Hospital-specific transfer per diem rate, capped at the Hospital-specific per-discharge amount. Additionally, “back-transferring” Hospitals (Hospitals to which a patient is first admitted and then transferred back after having been transferred to another Acute Hospital) will be eligible for outlier payments as specified in **Section 5.B.8**.

Except as otherwise provided in the following paragraph, the RY08 payment per day for Transfer Patients shall equal the statewide average payment amount per discharge adjusted by the hospital-specific casemix and wage index divided by the SPAD Base Year average all-payer length of stay of 4.59 days, to which is added the Hospital-specific capital, direct medical education, and Pass-Through per diem payments which are derived by dividing the per-discharge amount for each of these components by the Hospital-specific MassHealth Average Length of Stay.

For Hospitals with unique circumstances reimbursed in accordance with the methodology specified in **Sections 5.D.1 through 5.D.3**, the RY08 payment amount per day for Transfer Patients shall equal the individual Hospital’s standard inpatient payment amount per discharge adjusted by the hospital-specific casemix and wage index divided by the RY05 average all-payer length of stay of 4.59 days, to which is added the Hospital-specific capital, direct medical education, and Pass-Through per diem payments which are derived by dividing the per-discharge amount for each of these components by the Hospital-specific MassHealth Average Length of Stay.

b. Transfers within a Hospital

In general, a transfer within a Hospital is not considered a discharge. Consequently, in most cases a transfer between units within a Hospital will be reimbursed on a transfer per diem basis capped at the Hospital-specific SPAD. This section outlines reimbursement under some specific transfer circumstances.

Hospitals receiving a transfer per diem may be eligible for outlier payments specified in **Section 5.B.8**, subject to all of the conditions set forth therein.

(1) Transfer to/from a Non-Acute, Skilled Nursing, or other Separately Licensed Unit within the Same Hospital

If a patient is transferred from an acute bed to a Non-Acute bed, except for a DMH-licensed bed or any separately licensed unit in the same Hospital, the transfer is considered a discharge. EOHHS will pay the Hospital-specific SPAD for the portion of the stay before the patient is discharged to any such unit.

(2) MassHealth Payments for Newly Eligible Members, Members Who Change Enrollment in the PCC Plan, Fee-for-Service or MCO during a Hospital Stay; or in the Event of Exhaustion of Other Insurance

When a patient becomes MassHealth-eligible, enrolls in or disenrolls from an MCO during the course of a Hospital stay, or exhausts other insurance benefits after the date of admission and prior to the date of discharge, the MassHealth-covered portion of the acute stay will be paid at the transfer per diem rate, up to the Hospital-specific SPAD, or, if the patient is at the Administrative Day level of care, at the AD per diem rate, in accordance with **Section 5.B.10**. When a patient enrolls in or disenrolls from an MCO during the Hospital stay, the non-MCO days will be paid at the transfer per diem rate up to the SPAD.

(3) Admissions Following Outpatient Surgery or Procedure

If a patient who requires Inpatient Hospital Services is admitted following an outpatient surgery or procedure, the Hospital shall be paid at the transfer per diem rate up to the Hospital-specific SPAD.

(4) Transfer between a DMH-Licensed Bed and Any Other Bed within the Same Hospital

Reimbursement for a transfer between a DMH-Licensed Bed and any other bed within a Hospital will vary depending on the circumstances involved, such as managed care status, BH network or non-network Hospital, or the type of service provided. See also **Section 5.B.7.b(5)**.

When a Member who is not enrolled with the BH Contractor transfers between a DMH-Licensed Bed and a non-DMH-Licensed Bed in the same Hospital during a single admission, EOHHS will pay the Hospital at the transfer per diem capped at the Hospital-specific SPAD for the non-DMH-Licensed Bed portion of the stay, and at the psychiatric per diem for the DMH-Licensed Bed portion of the stay. (See **Section 5.B.6.**)

If the Member is enrolled with the BH Contractor, EOHHS will pay for the non-DMH-Licensed Bed portion of the stay, and only if it is for medical

(i.e., non-psychiatric/substance-related disorder) treatment. In that case, such payment will be at the transfer per diem rate capped at the Hospital-specific SPAD.

(5) Change of BH Managed Care Status during a Behavioral Health Hospitalization

(a) Payments to Hospitals without Network Provider Agreements with EOHHS' BH Contractor

When a Member is enrolled with the BH Contractor during an Emergency or Post-Stabilization behavioral health admission at a non-network Hospital, the portion of the Hospital stay during which the Member is enrolled with the BH Contractor shall be paid by the BH Contractor provided that the Hospital complies with the BH Contractor's billing requirements and any applicable service authorization requirements that are permissible under federal law at 42 USC 1396u-2(b)(2), 42 CFR 438.114, and 42 CFR 422.113(c).

In accordance with the preceding federal law, and with 42 CFR 422.214(b), if the BH Contractor offers to pay the Hospital a rate equal to the applicable RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization psychiatric or substance-related disorder services, the Hospital must accept the BH Contractor's rate offer as payment in full for all such Members.

This requirement does not prohibit the BH Contractor from negotiating to pay at a lower rate than the non-network Hospital's applicable RFA rate less any amount for graduate medical education for all such Emergency and Post-Stabilization psychiatric or substance abuse-related disorder services provided at a non-network hospital.

The portion of the Hospital stay during which the Member was not enrolled with the BH Contractor will be paid by EOHHS at the psychiatric per diem rate for psychiatric services in a DMH-Licensed Bed or at the transfer per diem rate, capped at the Hospital-specific SPAD, for substance-related disorder services and for psychiatric services in a non-DMH-Licensed Bed.

(b) Payments to Hospitals that are in the BH Contractor's Provider Network

When a Member is enrolled with the BH Contractor during an emergency or non-emergency behavioral health Hospital admission, the portion of the Hospital stay during which the Member was enrolled with the BH Contractor shall be paid by the BH Contractor at the rates agreed upon by the Hospital and the BH Contractor provided

that the Hospital complies with the BH Contractor's service authorization and billing policies and procedures.

The portion of the Hospital stay during which the Member was not enrolled with the BH Contractor will be paid by EOHHS at the Psychiatric Per Diem rate for psychiatric services in a DMH-Licensed Bed; or at the transfer per diem rate, capped at the Hospital-specific SPAD, for substance-related disorder services and for psychiatric services in a non-DMH-Licensed Bed.

8. Outlier Payments

A Hospital qualifies for an outlier per diem payment equal to 85% of the Hospital's transfer per diem in addition to the Hospital-specific standard payment amount per discharge or transfer per diem payment if *all* of the following conditions are met:

- a.** The Medicaid non-managed care length of stay for the hospitalization exceeds 20 cumulative *acute* days at that Hospital (not including days in a DMH-Licensed Bed or days paid by a third party);
- b.** The Hospital continues to fulfill its discharge planning duties as required in EOHHS' regulations;
- c.** The patient continues to need acute level care and is therefore *not* on Administrative Day status on any day for which an outlier payment is claimed;
- d.** The patient is not a patient in a DMH-Licensed Bed on any day for which an outlier payment is claimed; and
- e.** The patient is not a patient in an Excluded Unit within an Acute Hospital.

9. Physician Payment

For physician services provided by Hospital-Based Physicians to MassHealth patients, the Hospital will be reimbursed for the professional component of physician services in accordance with, and subject to, the Physician regulations at 130 CMR 433.000 et seq. Such reimbursement shall be at the lower of (1) the fee established in the most current promulgation of the DHCFP regulations at 114.3 CMR 16.00, 17.00, 18.00 and 20.00 (including the applicable facility fee for all services where such facility fee has been established); (2) the Hospital's Usual and Customary Charge; or (3) 100% of the Hospital's actual charge submitted.

Hospitals will be reimbursed for such physician services only if the Hospital-Based Physician took an active patient care role, as opposed to a supervisory role, in providing the Inpatient Service(s) on the billed date(s) of service. Physician services provided by residents and interns are reimbursed through the direct medical education (DME) portion of the SPAD payment and, as such, are not reimbursable separately. The

Hospital-Based Physician may not bill for any professional component of the service that is billed by the hospital.

Hospitals shall not be reimbursed for inpatient physician services provided by community-based physicians.

Physician fee schedules are available at the State House Bookstore and at <http://www.state.ma.us/DHCFP>.

10. Payments for Administrative Days

Payments for Administrative Days will be made on a per diem basis as described below. These per diem rates are all-inclusive and represent payment in full for all Administrative Days in all Acute Care Hospitals.

The AD rate is a base per diem payment and an ancillary add-on.

The base per diem payment is \$181.27, which represents the median September 2006 nursing home rate for all nursing home rate categories, as determined by DHCFP.

The ancillary add-on is based on the ratio of ancillary charges to routine charges, calculated separately for Medicaid/Medicare Part B-eligible patients and Medicaid-only eligible patients on AD status, using MassHealth paid claims for the period October 1, 1997 to September 30, 1998.

These ratios are 0.278 and 0.382, respectively. The resulting AD rates (base and ancillary) were then updated by the Inflation Factors for Administrative Days. The resulting AD rates for RY08 are \$236.22 for Medicaid/Medicare Part B-eligible patients and \$255.45 for Medicaid-only eligible patients.

MassHealth rules and regulations do not allow a patient to be admitted at an AD status, except in limited circumstances outlined in EOHHS regulations. In most cases, therefore, Administrative Days will follow an acute stay in the Hospital.

A Hospital may receive outlier payments for patients who return to acute status from AD status after 20 cumulative MassHealth non-managed care acute days in a single hospitalization. That is, if a patient returns to acute status after being on AD status, the Hospital must add the acute days preceding the AD status to the acute days following the AD status to determine the day on which the Hospital is eligible for outlier payments. The Hospital may not bill for more than one SPAD if the patient fluctuates between acute status and AD status; the Hospital may only bill for one SPAD (covering 20 cumulative MassHealth non-managed care acute days), and then for Outlier Days, as described above.

11. Infant and Pediatric Outlier Payment Adjustments

a. Infant Outlier Payment Adjustment

In accordance with 42 U.S.C. § 1396a(s), EOHHS will make an annual infant outlier payment adjustment to Acute Hospitals for Inpatient Services furnished to infants under one year of age involving exceptionally high costs or exceptionally long lengths of stay. Hospitals will be reimbursed by EOHHS pursuant to the DHCFP regulations at 114.1 CMR 36.00.

b. Pediatric Outlier Payment Adjustment

In accordance with 42 U.S.C. § 1396a(s), EOHHS will make an annual pediatric outlier payment adjustment to Acute Hospitals for Inpatient Services furnished to children more than one year of age and less than six years of age involving exceptionally high costs or exceptionally long lengths of stay. Hospitals will be reimbursed by EOHHS pursuant to the DHCFP regulations at 114.1 CMR 36.00.

12. Rehabilitation Unit Services in Acute Hospitals

A DPH-licensed Acute Hospital with a Rehabilitation Unit may bill a per diem rate for Rehabilitation Services provided at an Acute Hospital.

The per diem rate for such Rehabilitation Services equals the median MassHealth RY08 Rehabilitation Hospital rate for Chronic Disease and Rehabilitation (CDR) Hospitals. Acute Hospital Administrative Day rates will be paid in accordance with **Section 5.B.10** for all days that a patient remains in the Rehabilitation Unit while not at Hospital level of care.

C. Outpatient Hospital Services

***Note:** Rates for all Outpatient Hospital Services (including Emergency Department services) that are covered under a contract between the Acute Hospital and EOHHS' BH Contractor and that are provided to MassHealth Members enrolled with EOHHS' BH Contractor, shall be governed by terms agreed upon between the Acute Hospital and the BH Contractor as set forth in **Section 4.A.1**.*

A Hospital will be reimbursed in accordance with **Section 5.C** for Outpatient Services provided by Hospital Outpatient Departments and Satellite Clinics. Hospitals will not be reimbursed for Hospital services specified as non-payable in Subchapter 6 of the MassHealth Acute Outpatient Hospital Manual, unless such services are medically necessary services provided to a MassHealth Standard or CommonHealth Member under 21 years. Providers should refer to the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) regulations at 130 CMR 450.140 et seq., regarding provision of EPSDT services to MassHealth Standard or CommonHealth Members under 21 years.

1. Payment Amount Per Episode (PAPE)

Except as otherwise provided for Outpatient Services specified in **Sections 5.C.2** through **5.C.5**, Hospitals will receive a Hospital-specific payment for each Episode, known as the Payment Amount Per Episode (PAPE).

a. PAPE Rate Development

Each Hospital's PAPE is the product of the Outpatient Statewide Standard and the Hospital's Casemix Index, as further described below.

- (1) Outpatient Statewide Standard** — the PAPE Base Year Outpatient Statewide Standard was set so that the total payment for PAPE Covered Services provided in the PAPE Base Year using the PAPE system would equal the Total APG Payment. The result of this calculation is a PAPE Base Year Outpatient Statewide Standard of \$126.27.

The RY08 Outpatient Statewide Standard was then multiplied by the Inflation Factors for Operating Costs between RY07 and RY08. Then a one-time adjustment was made to the PAPE Base Year Outpatient Statewide Standard to \$164.58 to implement the provisions of Section 128 of Chapter 58 of the Acts of 2006, as amended by c.324, sec. 63 of the Acts of 2006 and c.61, sec. 40 of the Acts of 2007 (the Massachusetts Health Care Reform Legislation). For PPS-Exempt Hospitals, the Outpatient Statewide Standard is 120% of the Outpatient Statewide Standard for non-PPS-Exempt Hospitals, which in RY08 is \$197.50.

- (2) Casemix Index** — the Hospital-specific Casemix Index is trended from casemix data from January 1, 2002 through September 30, 2006 to determine the Average APG Weight per Episode for RY08. In every case, the Hospital-specific average APG weight per episode is calculated for the relevant period by dividing the relevant payment by the number of Episodes and then, by the conversion factor for the relevant period. For the PAPE Base Year, the standard APG conversion factor was \$121.33.

b. PAPE Provision for Certain Hospitals Subject to Potential Rate Decreases

In accordance with the General Appropriation Act for state fiscal year 2008, any specialty hospital which limits its admissions to patients under active diagnosis and treatment of the eyes, ears, nose, and throat, whose PAPE payment rate under the payment methodology described in **Section 5.C.1.a** for Hospital Rate Year 2008, would otherwise be less than the PAPE payment rate in effect during Hospital Rate Year 2005, shall be paid at the PAPE rate of payment in effect during Hospital Rate Year 2005.

c. Payment System

MassHealth processes and pays clean outpatient claims in accordance with 130 CMR 450 et seq.

2. Physician Payments

- a.** A Hospital may only receive reimbursement for physician services provided by Hospital-Based Physicians to MassHealth Members. The Hospital must claim payment for the professional component of physician services in accordance with, and subject to: (1) the Physician regulations at 130 CMR 433.000 et seq.; (2) the Acute Outpatient Hospital regulations at 130 CMR 410.000 et seq.; and (3) other rules regarding physician payment as set forth in the RFA.
- b.** Such reimbursement shall be the lower of (1) the fee established in the most current promulgation of the DHCFP regulations at 114.3 CMR 16.00, 17.00, 18.00 and 20.00 (including the applicable facility fee for all services where such facility fee has been established); (2) the Hospital's Usual and Customary Charge for physician fees; or (3) the Hospital's actual charge submitted. Hospitals will not be reimbursed separately for professional fees for practitioners other than Hospital-Based Physicians as defined in **Section 2**.
- c.** Hospitals will be reimbursed for physician services only if the Hospital-Based Physician took an active patient care role, as opposed to a supervisory role, in providing the Outpatient Service(s) on the billed date(s) of service. The Hospital-Based Physician may not bill for any professional component of the service that is billed by the Hospital.
- d.** Physician Services provided by residents and interns are not separately reimbursable.
- e.** Hospitals will not be reimbursed for physician services if those services are (1) provided by a Community-Based Physician; or (2) as further described in **Section 5.C**.
- f.** In order to qualify for reimbursement for physician services provided during the provision of Observation Services, the reasons for the Observation Services, the start and stop time of the Observation Services, and the name of the physician ordering the Observation Services, must be documented in the Member's medical record.

Physician fee schedules are available at the State House Bookstore and at <http://www.state.ma.us/DHCFP>.

3. Outpatient Hospital Services Payment Limitations

a. Payment Limitations on Outpatient Hospital Services Preceding an Admission

Hospitals will not be separately reimbursed for Outpatient Hospital Services when an Inpatient Admission to the same Hospital, on the same date of service, occurs following the provision of Outpatient Hospital Services. See **Section 5.B.7.b(3)**.

b. Payment Limitations on Outpatient Hospital Services to Inpatients

Hospitals will not be reimbursed for Outpatient Services provided to any Member who is concurrently an inpatient of any Hospital. The Hospital is responsible for payment to any other Provider of services delivered to a Member while an inpatient of that Hospital.

c. Notification Requirements

For all PCC Plan Members, Hospitals must notify the Member's PCC, in writing, within 48 hours after providing Emergency Department services or admitting the Member for Inpatient Services. Such notice must include the Member's diagnosis, the treatment provided, discharge instructions, and the reason for Inpatient Admission, if applicable.

4. Emergency Department Services

a. Required Screening

All Members presenting in the Emergency Department or dedicated emergency department as defined in 42 CFR 489.24 must be screened and stabilized in accordance with applicable requirements at 42 U.S.C. 1396dd et seq., M.G.L. c. 118E, section 17A, and all applicable regulations.

b. Payment for Emergency Services

Hospitals will be reimbursed for Emergency Services provided in the Emergency Department in the same manner as other Outpatient Services.

5. Laboratory Services

a. Payment for Laboratory Services

Hospitals will be reimbursed for laboratory services according to the Outpatient Hospital regulations at 130 CMR 410.455 through 410.459, subject to all restrictions and limitations described in regulations at 130 CMR 401.000.

The maximum allowable payment for a laboratory service shall be at the lowest of the following:

- (1) The amount listed in the most current applicable DHCFP Clinical Laboratory Services fee schedule at 114.3 CMR 20.00 and the Surgery & Anesthesia fee schedule at 114.3 CMR 16.00 (available at the State House Bookstore and at <http://www.state.ma.us/DHCFP>);
- (2) The Hospital's Usual and Customary Charge; or
- (3) The amount that would be recognized under 42 U.S.C. §13951(h) for tests performed for a person with Medicare Part B benefits.

b. Physician Services

No additional payment shall be made for any physician service provided in connection with a laboratory service, except for Surgical Pathology Services. The maximum allowable payment is payment in full for the laboratory service.

D. Reimbursement for Unique Circumstances

1. Sole Community Hospital

The standard inpatient payment amount per discharge for a Sole Community Hospital (as defined in **Section 2**) shall be equal to the sum of:

90% of the Hospital's RY05 cost per discharge capped at 200% of the statewide average payment amount per discharge, adjusted for casemix and inflation; and the Hospital-specific RY08 Pass-Through amount per discharge and the capital amount per discharge.

Derivation of per-discharge costs is described in **Section 5.B.2**.

Adjustments were made for casemix and inflation as described in **Section 5.B**. There will also be outlier payments in accordance with **Section 5.B.8**.

Acute Hospitals that receive payment as Sole Community Hospitals shall be determined by EOHHS and will be identified in **Appendix C**.

2. Specialty Hospitals and Pediatric Specialty Units

- a. The standard inpatient payment amount per discharge for Specialty Hospitals and Pediatric Specialty Units (as defined in **Section 2**) shall be equal to the sum of:

90% of the Hospital's RY05 cost per discharge capped at 200% of the statewide average payment amount per discharge, adjusted for casemix and inflation; and the Hospital-

specific RY08 Pass-Through amount per discharge and the capital amount per discharge.

Derivation of per-discharge costs is described in **Section 5.B**.

Adjustments were made for casemix and inflation as described in **Section 5.B**. There will also be outlier payments in accordance with **Section 5.B.8**.

Acute Hospitals that receive payment as Specialty Hospitals and those with Pediatric Specialty Units will be identified in **Appendix C**. For Hospitals with Pediatric Specialty Units, the payment calculated under this section shall only apply to services rendered in the Pediatric Specialty Unit.

- b. EOHHS shall pay Pediatric Specialty Hospitals and Pediatric Specialty Units 85% of the Hospital's expenses for Inpatient Services, as determined by EOHHS, as further described below, for children discharged from such Hospitals and Pediatric Specialty Units between October 1, 2007 and September 30, 2008, whose casemix acuity is greater than 5.0. Hospitals shall provide to EOHHS upon request, such information, and in such format, as EOHHS determines is necessary to calculate any payment under this section.

EOHHS will periodically reconcile with Pediatric Specialty Hospitals and Pediatric Specialty Units expenses and payments for such cases as follows:

- (1) The casemix weight will be determined using the casemix grouper specified in **Section 5.B.2**.
- (2) Cases will be identified from MassHealth paid claims. Identified cases will be matched to the Hospital Discharge Dataset submitted by the eligible Hospitals to DHCFP. The casemix weight will be derived from the DHCFP data.
- (3) Payments for identified cases will be determined by EOHHS, and shall include SPAD and outlier per diem amounts attributable to such cases.
- (4) Expenses for identified cases will be determined by EOHHS by multiplying a cost-to-charge ratio against charges reported on the claim. The numerator of the cost-to-charge ratio will be the amount reported on Schedule II, line 100, column 10 of the hospital's RY06 DHCFP-403 report. The denominator will be the amount reported on Schedule II, line 100, column 11 of the Hospital's RY06 DHCFP-403 report.
- (5) The payment amount due pursuant to **Section 5.D.2.b**, if any, will be the difference between 85% of the Hospital's aggregate expenses for identified cases, and aggregate payments for identified cases, as determined in **Section 5.D.2.b**. If the aggregate payments exceed 85% of the aggregate expenses, the payment will be zero.

Acute Hospitals that receive payment as Specialty Hospitals and those with Pediatric Specialty Units will be identified in **Appendix C**. For Hospitals with Pediatric Specialty

Units, the payment calculated under this section shall only apply to services rendered in the Pediatric Specialty Unit.

3. Public Service Hospital Providers

a. Inpatient Reimbursement

Public Service Hospitals shall be reimbursed for Inpatient Services as follows, and in accordance with **Section 5.D.3.c.** below. The standard inpatient payment amount per discharge for Public Service Hospitals (as defined in **Section 2**) shall be equal to the sum of:

90% of the Hospital's RY05 cost per discharge capped at 200% of the statewide average payment amount, adjusted for casemix and inflation; and the Hospital-specific RY08 Pass-Through amount per discharge and the capital amount per discharge.

Derivation of per-discharge costs is described in **Section 5.B.**

Adjustments were made for casemix and inflation as described in **Section 5.B.** There will also be outlier payments in accordance with **Section 5.B.8.**

Acute Hospitals that receive payment as Public Service Hospitals shall be determined by EOHHS and will be identified in **Appendix C.**

b. Outpatient Reimbursement

Public Service Hospitals shall be reimbursed for Outpatient Services in accordance with **Section 5.C** and **Section 5.D.3.c.**

c. Supplemental Medicaid Rate for Public Service Hospitals

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and the availability of federal financial participation at the rate of no less than 50%, EOHHS will make a supplemental payment to Public Service Hospitals. The payment amount will be (i) determined by EOHHS using data filed by each qualifying Hospital in financial reports as required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make payments to Public Service Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Public Service Hospitals shall be determined by EOHHS.

4. Essential MassHealth Hospitals

a. Qualification

In order to qualify for payment as an Essential MassHealth Hospital, a Hospital must itself meet, or be within a system of hospitals, any one of which meets at least four of the following criteria, as determined by EOHHS, provided that all hospitals within such system are owned or controlled, directly or indirectly, by a single entity that (i) was created by state legislation prior to 1999; and (ii) is mandated to pursue or further a public mission:

- (1) The Hospital is a non-state-owned public Acute Hospital.
- (2) The Hospital meets the current MassHealth definition of a non-profit teaching hospital affiliated with a Commonwealth-owned medical school.
- (3) The Hospital has at least 7% of its total patient days as Medicaid days.
- (4) The Hospital is an acute-care general Hospital located in Massachusetts that provides medical, surgical, Emergency and obstetrical services.
- (5) The Hospital enters into a separate contract with EOHHS relating to payment as an Essential MassHealth Hospital.

b. Reimbursement Methodology

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and the availability of federal financial participation at the rate of no less than 50%, EOHHS will make a supplemental payment to Essential MassHealth Hospitals. The payment amount will be (i) determined by EOHHS using data filed by each qualifying Hospital in financial reports as required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make payments to Essential MassHealth Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Essential MassHealth Hospitals shall be determined by EOHHS.

5. Acute Hospitals with High Medicaid Discharges

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and federal financial participation at the rate of no less than 50%, EOHHS will make a supplemental payment to Acute Hospitals with High Medicaid Discharges when

compared with other participating MassHealth Hospitals. To be eligible for a payment pursuant to this section, a Hospital must have more than 2.7% of the statewide share of Medicaid discharges, as determined by dividing each Hospital's total Medicaid discharges as reported on the Hospital's HCF-403 cost report by the total statewide Medicaid discharges for all Hospitals.

The payment amount is the lower of (1) the variance between the Hospital's inpatient Medicaid payments and costs, or (2) the Hospital's Health Safety Net Trust Fund-funded payment amount.

EOHHS reserves the right to make payments to Acute Hospitals with High Medicaid Discharges in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Acute Hospitals with High Medicaid Discharges shall be determined by EOHHS.

6. Supplemental Medicaid Rate for Freestanding Pediatric Acute Hospitals

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, waiver provisions, and payment limits, and federal financial participation at the rate of no less than 50%, EOHHS will make a supplemental payment equal to \$3.85 million, to Freestanding Pediatric Acute Hospitals, to account for high Medicaid volume. Such payment amount is determined by EOHHS based on data filed by each qualifying Hospital in its financial and cost reports, and projected Medicaid volume for the Hospital Rate Year.

EOHHS reserves the right to make payments to Freestanding Pediatric Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Freestanding Pediatric Acute Hospitals shall be determined by EOHHS.

7. Certified Public Expenditures

Subject to compliance with all applicable federal statutes, regulations, waiver provisions, and payment limits, and federal financial participation at the rate of no less than 50%, the State may certify as public expenditures eligible for federal financial participation, allowable Medicaid costs incurred by eligible hospitals, or expenditures made by municipalities, or other public entities, for services provided to MassHealth members at a Hospital.

E. Safety Net Care Acute Hospital Payments

MassHealth will assist Hospitals that carry a financial burden of caring for uninsured and publicly insured persons of the Commonwealth. In accordance with the terms and conditions

of the Commonwealth's 1115 waiver governing Safety Net Care, and subject to compliance with all applicable federal requirements, MassHealth will make an additional payment above the rate specified in **Sections 5.B, 5.C, and 5.D** to Hospitals which qualify for such payment under any one or more of the payment classifications listed below for the period of RY08 ending June 30, 2008. Safety Net Care Payments are authorized by the Centers for Medicare and Medicaid Services (CMS) on a state fiscal year basis for each applicable waiver year.

Only Hospitals that have an executed Contract with EOHHS, pursuant to the RY08 RFA, are eligible for the following Safety Net Care payments. If a Hospital's RFA Contract is terminated, its payment shall be prorated through June 30, 2008 for the period during which it had such Contract with EOHHS. The remaining funds it would have received may be apportioned to remaining eligible Hospitals. The following describes how Hospitals will qualify for each Safety Net Care payment described below, and the methodology for calculating those payments.

When a Hospital applies to participate in MassHealth, its eligibility and the amount of the following Safety Net Care payments shall be determined. As new Hospitals apply to become MassHealth Providers, they may qualify for such payments if they meet the criteria under one or more of the following classifications. Therefore, some Safety Net Care payments may require recalculation pursuant to DHCFP regulations set forth at 114.1 CMR 36.00. Hospitals will be informed if the payment amount will change due to reapportionment among the qualified group and will be told how overpayments or underpayments by EOHHS will be handled at that time.

All Safety Net Care payments are subject to federal approval and the availability of federal financial participation.

1. High Public Payer Hospitals: 63% Hospitals

The eligibility criteria and payment formula for this payment classification are specified in DHCFP regulations at 114.1 CMR 36.07 and the Special Terms and Conditions of the Commonwealth's 1115 waiver governing Safety Net Care. Payments shall be made during the term of the RY08 Hospital Contract. Payments hereunder are subject to specific legislative appropriation and the availability of funding for the payment. Without limiting the generality of the foregoing, payments hereunder are subject to all necessary spending authority, including but not limited to the Governor's exercise and the agency's implementation of allotment reductions pursuant to G.L. ch. 29, sec. 9C.

2. Public Service Hospital Safety Net Care Payment

The eligibility criteria for this payment are specified in DHCFP regulations at 114.1 CMR 36.07 and the Special Terms and Conditions of the Commonwealth's 1115 waiver governing Safety Net Care. Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, waiver provisions, payment limits, and the availability of federal financial participation at the rate of no less than 50%, EOHHS will make a Public Service Hospital Safety Net Care payment to qualifying Hospitals.

The payment amount will be (i) determined by EOHHS using data filed by each qualifying Hospital in financial reports required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make safety net care payments to Public Service Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive safety net care payments as Public Service Hospitals shall be determined by EOHHS.

3. Uncompensated Care Safety Net Care Payment

The eligibility criteria and payment formula for this payment classification are specified in DHCFP regulations at 114.6 CMR 14.00 and the Special Terms and Conditions of the Commonwealth's 1115 waiver governing Safety Net Care. Eligible Hospitals will receive these payments on a periodic basis during the term of their RY08 Hospital Contract.

4. Safety Net Care Payment for Pediatric Specialty Hospitals and Hospitals with Pediatric Specialty Units

The eligibility criteria and payment formula for this classification are specified in DHCFP regulations at 114.1 CMR 36.07 and the Special Terms and Conditions of the Commonwealth's 1115 waiver governing Safety Net Care. Payments hereunder are subject to specific legislative appropriation and the availability of funding for the payment. Without limiting the generality of the foregoing, payments hereunder are subject to all necessary spending authority, including but not limited to the Governor's exercise and the agency's implementation of allotment reductions pursuant to G.L. ch. 29, sec. 9C.

Acute Hospitals that receive safety net care payments as Pediatric Specialty Hospitals and Hospitals with Pediatric Specialty Units shall be determined by EOHHS.

5. Certified Public Expenditures

Subject to compliance with all applicable federal statutes, regulations, waiver provisions, and payment limits, and federal financial participation at the rate of no less than 50%, the State may certify as public expenditures eligible for federal financial participation, allowable costs incurred by eligible hospitals, or expenditures made by municipalities or other public entities, for uninsured or unreimbursed services or costs at a Hospital.

6. Section 122 of Chapter 58 Safety Net Health System Payments

EOHHS will make supplemental payments to the two publicly operated or public-service state-defined disproportionate share Hospitals with the highest relative volume

of uncompensated care costs in hospital fiscal year 2008. As defined in Section 122 of Chapter 58 of the Acts of 2006, total payments under this section will not exceed \$180 million for total unreimbursed free care and Medicaid services, including Medicaid-managed care services, and the operation of the respective safety net health care systems provided that 25 percent of the payments shall be made in accordance with criteria established by the Executive Office of Health and Human Services. Payments will be made in accordance with the Special Terms and Conditions of the Commonwealth's 1115 waiver governing Safety Net Care, and as specified in an agreement between EOHHS and the qualifying Hospital. Boston Medical Center and Cambridge Health Alliance are the only Hospitals eligible for this payment.

F. Federal Financial Participation (FFP)

1. FFP Denials

If any portion of the reimbursement pursuant to the RFA is not approved or is the basis of a disallowance by CMS, EOHHS may recoup, or offset against future payments, any payment made to a Hospital in excess of the approved reimbursement.

2. Exceeding Limits

a. Hospital-Specific Limits

If any payments made pursuant to the RFA exceed any applicable federal Hospital-specific payment limits, including, but not limited to, charge limits, upper payment limits, and limits based on federally approved payment methods, EOHHS may recoup, or offset against future payments, any payment made to a Hospital in excess of the applicable limit.

b. Aggregate Limits

If any payments made pursuant to the RFA exceed applicable federal aggregate payment limits, including, but not limited to upper payment limits provided for in federal law, regulations, and the Commonwealth's 1115 waiver, EOHHS may exercise its discretion to apportion the disallowance among the affected Hospitals and to recoup from, or offset against future payments to such Hospitals, or to otherwise restructure payments in accordance with approved payment methods.

G. Billing

The Contractor shall bill for all non-professional services through an 837I or on the UB92 form and all professional component services for Hospital-Based Physician (Inpatient and Outpatient) Services through an 837P or on the MassHealth Claim Form 5 except where otherwise indicated by MassHealth regulations, billing instructions, Provider bulletins, or other written statements of policy, and in compliance with all applicable regulations, billing

instructions, Provider bulletins, and other written statements of policy, as they may be amended from time to time.

H. Treatment of Reimbursement for Members in the Hospital on the Effective Date of the Hospital Contract

Except where payments are made on a per diem basis, EOHHS shall reimburse participating Hospitals for services provided to MassHealth Members who are at acute inpatient status prior to November 1, 2007, and who remain at acute inpatient status on or after November 1, 2007, at the Hospital's rates established prior to the RY08 RFA. Reimbursement to participating Hospitals for services provided to MassHealth Members who are admitted on or after November 1, 2007, shall be reimbursed at the RY08 Hospital rates.

I. Future Rate Years

Adjustments may be made each Rate Year to update rates and shall be made in accordance with the Hospital Contract in effect on that date.

J. Compliance with Legal Requirements

The parties agree to comply with, and are subject to, all state and federal statutes, rules, and regulations governing the MassHealth Program, and reimbursement and delivery of Acute Hospital services, including but not limited to Acute Inpatient Hospital regulations at 130 CMR 415.00 et seq., Outpatient Hospital regulations at 130 CMR 410.000 et seq., and Administrative and Billing regulations at 130 CMR 450.00 et seq.; provided, however, that in the event of any conflict between the documents that are part of the Hospital's Contract with EOHHS and any MassHealth regulation now existing or hereinafter adopted, the terms of the Contract shall prevail. All references to statutes and regulations refer to such statutes and regulations as they may be amended from time to time. In addition, the parties must comply with all applicable billing instructions and Provider bulletins, and other written statements of policy issued by EOHHS and its divisions, as they may be amended from time to time.

K. Eligibility Verification

EOHHS will pay the Hospital only for a covered service delivered to a Member who, on the date of service, is (1) eligible under MassHealth to receive that service, and (2) not enrolled with a MassHealth managed care provider (including EOHHS' Behavioral Health contractor) that covers the service. Each day of an inpatient Hospital stay constitutes a discrete "date of service." A Member who meets the foregoing conditions on a given date of service may not meet such conditions on all dates of service comprising a Hospital stay. The Hospital is responsible for determining, through the MassHealth Recipient Eligibility Verification System (REVS), that the Member meets the conditions stated herein on each discrete date of service.

L. Errors in Calculation of Pass-Through Amounts, Capital Costs, or Casemix

As set forth below, EOHHS will make corrections to the final Hospital-specific rate retroactive to the effective date of the Contract resulting from the RFA. Such corrections will not affect computation of any statewide average or statewide standard amounts or of any of the efficiency standards applied to inpatient and outpatient costs, or to capital costs.

1. Errors in Calculation of Pass-Through or Capital Costs

- a. If a transcription error occurred or if the incorrect line was transcribed in the calculation of the RY08 Pass-Through Costs or capital costs, resulting in an amount not consistent with the methodology, a Hospital may request a correction, which shall be at the sole discretion of EOHHS.
- b. To qualify for a correction, Hospitals must submit, no later than June 30, 2008, copies of the relevant report(s), as referenced in **Sections 5.B.3** and **5.B.4**, highlighting items found to be in error, to:

Kiki Feldmar
Executive Office of Health and Human Services
Office of Acute and Ambulatory Care
600 Washington Street, 6th Floor
Boston, MA 02111

2. Incorrect Determination of Casemix

- a. Casemix shall be calculated on claims for discharges as described in **Section 5.B**. In the event of an error in the calculation of casemix made by EOHHS or DHCFP resulting in an amount not consistent with the methodology, a Hospital may request a correction to its RY08 casemix, which shall be at the sole discretion of EOHHS.
- b. In the event of a Hospital reporting error where the effect of the error is a decrease in the Hospital's SPAD of 30% or more, EOHHS may, in its sole discretion, consider revised data submitted to DHCFP by the Hospital.
- c. To qualify for a correction, Hospitals must contact EOHHS in writing, no later than June 30, 2008, and must include with their request for a correction all of the documentation necessary to demonstrate that an error has occurred. Requests for corrections that do not include all necessary documentation will not be considered.

Please contact:

Director of MassHealth Hospital Program
Executive Office of Health and Human Services
Office of Acute and Ambulatory Care
600 Washington Street, 6th Floor
Boston, MA 02111

3. Change in Services Affecting Casemix

In the event that a Hospital opens or closes, during the Contract year, an Inpatient Service that the Hospital believes will have a significant effect on casemix, the Hospital must provide EOHHS with a data analysis of the casemix effect for the current Rate Year and the subsequent Rate Year if it requests a casemix adjustment. EOHHS may, in its sole discretion, consider revised data submitted by the Hospital.

M. Data Sources

If data sources specified by the RFA are not available, or if other factors do not permit precise conformity with the provisions of the RFA, EOHHS shall select such substitute data sources or other methodology(ies) that EOHHS deems appropriate in determining Hospitals' rates.

N. New Hospitals/Hospital Change of Ownership

For any newly participating Hospital, or any Hospital which is party to a merger, sale of assets, or other transaction involving the identity, licensure, ownership or operation of the Hospital during the effective period of the RFA, EOHHS, in its sole discretion, shall determine on a case-by-case basis (1) whether the Hospital qualifies for reimbursement under the RFA; and, if so, (2) the appropriate rates of reimbursement. Such rates of reimbursement shall be determined in accordance with the provisions of the RFA to the extent that EOHHS deems possible. EOHHS' determination shall be based on the totality of the circumstances. In cases where any such rate may, in EOHHS' sole discretion, affect computation of any statewide average or statewide standard payment amount and/or any cost standard, MassHealth provider numbers are not assignable to new entities.

See **Sections II.5.a and II.5.d of Appendix A** of the RFA, and **Appendix B, Item 13** of the RFA for requirements in the event of Hospital change of ownership.

Section 6: Payment and Reporting Provisions

All payments under the RFA are subject to the following provisions, as well as all other rules and regulations governing service limitations, claims payment, billing and claims processing procedures, utilization control requirements and all other MassHealth conditions of payment.

A. Services Requiring Practitioner Prior Approval

EOHHS will not reimburse a Hospital for services provided when the practitioner is required to, but fails to obtain prior authorization, referrals or other approval for the service. It is the Hospital's responsibility to ensure that a practitioner providing services in the Hospital has obtained the necessary approvals.

B. Hospital Payments in the Event of Third-Party Coverage

1. Except to the extent prohibited by 42 U.S.C. § 1396a(a)(25)(E) or (F), the Hospital must make diligent efforts, as defined under 130 CMR 450.316(A), to identify and obtain Insurance Payments before billing MassHealth.
2. For Inpatient Admissions, Outpatient Services, and Emergency Department Services where the Member has Third-Party Insurance coverage, EOHHS will pay the Hospital according to Third-Party Liability provisions at 130 CMR 450.316-321.
3. For Outpatient Services, except those specified in **Sections 5.C.2** through **5.C.5**, where MassHealth is the secondary payer after the Medicare program, the PAPE shall be the MassHealth Liability. Implementation of this pricing in the MMIS will occur, for dates of processing, on or after July 1, 2007. EOHHS will reconcile all claims affected by this provision and adjust payment accordingly.

C. Notification of Hospital Election to Offer Reduced Medicare Coinsurance Amounts

Acute Hospitals have an option to elect to reduce a Medicare beneficiary's Coinsurance amount under the Medicare outpatient prospective payment system. Such election must be made in writing to the Hospital's fiscal intermediary (FI), specifying the services to which it applies. The first such election must have been made by June 1, 2000, and for future years by December 1 of the year preceding the calendar year for which the election is being made.

Hospitals electing to take such an option must forward a copy of their notification to the FI to:

Executive Office of Health and Human Services
Office of Medicaid
Attn.: Claims Coordination Unit
UMass-CHCF
The Schrafft's Center
529 Main Street, 3rd Floor
Charlestown, MA 02129

D. Sterilization

EOHHS will pay for an inpatient stay for a sterilization or for outpatient sterilization services only when the Hospital meets all requirements regarding Member consent and service delivery as set forth in MassHealth regulations, including 130 CMR 485.409. The performance of a sterilization without meeting all such requirements may result in sanctions against the Hospital in accordance with 130 CMR 450.238 et seq. as well as the applicable provisions of the RFA.

E. Cost Reporting Requirements

All Acute Hospitals are required to submit documents needed for the calculation of MassHealth payment rates to DHCFP and EOHHS in accordance with all applicable instructions and requirements. These documents include, but are not limited to, DHCFP 403 cost reports, DHCFP merged billing and discharge filings, CMS Medicare 2552 cost reports, and DHCFP HLHC cost reports for Hospitals with HLHCs. All Acute Hospitals with HLHCs are required to submit HLHC cost report forms developed by DHCFP when EOHHS requests them and in accordance with any applicable DHCFP regulations. If a Hospital does not submit the information specified above in a timely fashion as specified in 114.1 CMR 42.03(2), such a Hospital may have a 5% reduction applied to its SPAD payment rate beginning 45 days after the required submission date. This reduction shall accrue in a cumulative manner of 5% for each month of non-compliance.

For example, the downward adjustment to the Hospital's SPAD for the first month would equal 5%; if the requested documentation is not received for another month, the downward adjustment to the Hospital's SPAD for the second month shall equal 10%. The adjustment shall not, in any case, exceed 50% of the SPAD. If a Hospital is not in full compliance with the submission of the aforementioned information at such time as the Hospital's rate is subject to change (i.e., at the start of a new Rate Year, or upon commencement of an amendment that affects the SPAD rate), at no time can the new rate exceed the adjusted current rate. If, however, the new SPAD rate is less than the rate currently in effect, then the new rate will become effective and potentially subject to further adjustment.

Hospitals must separately identify in the DHCFP 403 cost report any costs associated with Rehabilitation Units, in accordance with the instructions of DHCFP.

F. Quality Reporting Requirements and Pay-for Performance (P4P) Provisions

See **Section 7** and **Appendix G** of the RFA.

G. Accident Reporting

Hospitals shall use reasonable efforts to determine whether a Member's injury is due to an accident or trauma (e.g., automobile accident, accident at work). In the event that a MassHealth Member is treated at a Hospital for injuries resulting from an accident or trauma, the Hospital shall notify EOHHS in writing, at the address below, of the following information:

1. Patient's name, MassHealth number (SSN or RID), address, and date of birth;
2. Date(s) of service (*from-to*);
3. Date of injury;
4. Type of accident (e.g., auto accident, accident at work, slip and fall);
5. Insured's name and address;
6. Insurance company's name;
7. Insured's attorney's name, address and telephone number.

Such written notification shall be sent to the following address:

Office of Medicaid
Accident Trauma Recovery Unit
P.O. Box 15205
Worcester, MA 01615-0203
Phone: (800) 754-1864

H. MassHealth Co-payments

For any Hospital service for which a Member co-payment is applied pursuant to 130 CMR 450.130, EOHHS shall deduct the co-payment amount from the applicable Hospital payment amount specified in the RFA. Hospitals may not refuse services to any Member who is unable to pay the co-payment at the time the service is provided, and must otherwise comply with all applicable state and federal requirements regarding co-payments.

Section 7: Pay-for-Performance (P4P) Payment Methods

Hospital quality reporting requirements are set forth in **Appendix G** of the RFA. Failure to comply, to the satisfaction of EOHHS, with any requirement in **Appendix G** of the RFA may result in termination of the Hospital's Contract for provision of MassHealth non-Emergency Services, or in fines or reduced payment amounts. A Hospital's performance with respect to the requirements in **Appendix G** may affect its present and future participation in the MassHealth program and/or its rate of reimbursement. Notwithstanding the termination provision in **Section I.2** of **Appendix A** (Hospital's Contract) in the RFA, any such termination shall be effective upon 30 days' prior written notice by EOHHS to the Hospital, and 130 CMR 450.000 et seq. shall not apply.

Pursuant to **Section II** of **Appendix G**, a Hospital must meet the minimum quality performance requirements in patient safety practices to qualify to earn incentive payments on any quality performance measure. As set forth in **Section III.B** of **Appendix G**, a Hospital may qualify to earn incentive payments in one of two ways: (1) earn payments to meet improvement from the previous year's performance; and (2) earn payments to meet data validation requirements for reporting new measures.

The methods that apply to the calculation of measure rates, performance scores and conversion of scores into incentive payments for measures listed in **Section III.B** of **Appendix G** are set forth as follows:

- 1. Measure Rate Calculations.** Each measure is calculated to produce aggregate numbers that will be used to establish baseline information, minimum attainment thresholds and performance benchmarks, relative to the distribution of Hospital participants. Measure rates are calculated using the following methods:
 - a. Individual Rates: The measure rate is calculated by dividing the numerator and denominator then multiplying by 100 to obtain a ratio. This method applies to individual clinical measures for obstetric and newborn care in RY2008.
 - b. Composite Process Rate: The composite process rate is derived by dividing the composite numerator by the composite denominator. The composite numerator is created by summing the numerators of all process interventions, and composite denominator is created by summing the denominators of all process interventions to get a composite denominator. This method applies to a measure category comprised of individual care process interventions for a single condition (pneumonia, surgical infection prevention, pediatric asthma).
 - c. Health Disparities Score: The CLAS measure is calculated by summing all items in the CCOSA checklist to obtain *one total score* for each Hospital. Score adjustments are subject to validation as set forth in **Section IV.3** of **Appendix G**.
- 2. Pay-for-Performance Scores:** Hospital performance scores for measures reported in RY2007, pursuant to **Appendix G**, will be assessed in comparison with all Hospitals reporting the

pneumonia and health disparities CLAS measures. A Hospitals comparative performance score for each of these two quality measures will be calculated based on the higher of an attainment score and an improvement score as follows:

- a. *Attainment Threshold Score.* Points are awarded to hospitals based on the relative placement between the attainment threshold and the benchmark. The attainment threshold, as defined in **Section V** of **Appendix G**, is calculated as the median of all hospitals' performance scores. The benchmark is calculated as the mean of the scores for those hospitals in the top decile. The following methods apply:
 - (1) Hospitals will receive points and a performance score between the range of 0% to 100% for measures reported in RY2007.
 - (2) If a Hospital's performance score for each measure is greater than or equal to the benchmark it will receive 10 points.
 - (3) If a Hospital's performance score for each measure is below the attainment threshold, it will receive zero points.
 - (4) If a Hospital's performance score for each measure is below the benchmark but at or above the attainment threshold, the Hospital will receive anywhere from 1 to 9 points for the attainment component.
 - (5) The number of attainment points a Hospital receives is determined by the ratio of the difference between the Hospital's performance score and the attainment threshold to the difference between the benchmark and the attainment threshold. This ratio is multiplied by 10 and rounded to the nearest integer to achieve the Hospital's attainment points based on the following formula:

$$\frac{\text{Hospital's Score} - \text{Attainment}}{\text{Benchmark} - \text{Attainment}} \times 10 = \text{Hospital's Attainment Points}$$

- b. *Improvement Score Range.* A Hospital may earn points for improvement, if their current performance score is greater than the attainment threshold and the Hospital has demonstrated improvement from previous year. The improvement score will be calculated based on the following formula:

$$\frac{\text{Current Score} - \text{Previous Year's Score}}{\text{Benchmark} - \text{Previous Year's Score}} \times 10 = \text{Hospital's Improvement Points}$$

- c. *Total Performance Score.* The total performance score will be calculated as the ratio of the higher of the attainment points or the improvement points, divided by 10.

3. **Pay-for-Reporting Scores:** Individual Hospital performance scores for new measures reported in RY2008 will be assessed on meeting data validation that requires information be submitted on time and passes all edits and data consistency checks. Calculation of scores for newly reported measure category (maternity/neonate, pneumonia, surgical infection prevention and pediatric asthma) is contingent on meeting the following criteria:

- a. Scores for newly reported measures will apply a Pass/Fail criterion for data validation requirement.
- b. To pass data validation, Hospitals must meet the minimum agreement rate of 80% based on a chart-audit validation process for the first three quarters of data submitted in RY2008, pursuant to **Section III.B of Appendix G**.
- c. Hospitals that fall below the minimum agreement rate (.80) will receive a performance score of 0% and Hospitals that Pass ($\geq .80$) will receive a performance score of 100%.

Methods for conversion of pay-for-performance scoring set forth in **Section 7.2** and pay-for-reporting performance scoring set forth in **Section 7.3** to incentive payments are outlined below.

- 4. Incentive Payment Method.** Incentive payments under the RFA may cumulatively total no more than the legislatively established amount, pursuant to Section 128 of Chapter 58 of the Acts of 2006, as amended by c.324, sec63 of the Acts of 2006 and c.61, sec 40 of the Acts of 2007. To qualify to earn incentive payments, Hospitals must meet the minimum quality performance requirement outlined in **Section II of Appendix G**. Incentive payments for each quality measure category will be determined using the following formula:

(Quality Measure Category per discharge amount) * (Eligible Medicaid discharges) * Performance score

- a. Quality Measure Category per Discharge amount. The final per discharge amounts will be determined upon submission of hospital quality data required by **Appendix G**. To determine these amounts, EOHHS will use the following formula:
 1. For each quality measure category (“category”), EOHHS has established an allocated amount, noted in the table below. The sum of these allocated amounts equals the total legislatively specified amount.
 2. Each hospital’s Eligible Medicaid Discharges (item **4.b**, below) will be multiplied by its performance score (item **4.c**). These adjusted discharges will be summed by category to determine statewide adjusted discharges per category.
 3. The allocated amount for each category (item **4.a.1**, above) will be divided by the statewide adjusted discharges per category (item **4.a.2**) to determine the per discharge amount for each category.

The following table lists the quality measure category estimated per discharge amounts, calculated using FY06 MassHealth data.

Quality Measure Category	Total Allocated Amount	Estimated Eligible discharges	Estimated Per Discharge Amount
Health Disparities	\$4,500,000	74,997	\$60.00

Community Acquired Pneumonia	\$4,500,000	1,797	\$2,504.17
Obstetric & Newborn	\$4,500,000	29,772	\$151.15
Surgical Infection Prevention	\$4,500,000	5,538	\$812.57
Pediatric Asthma	\$2,000,000	526	\$3,802.28

- b. Eligible Medicaid Discharges. The Eligible Medicaid Discharges are the total MassHealth discharges reported by the hospital and approved by EOHHS for each category pursuant to **Section III.B** of **Appendix G**. For the CLAS measure, total MassHealth discharges will be used.
- c. Performance scoring for each quality measure category is calculated pursuant to **Sections 7.B.1, 7.B.2** and **7.B.3** above.

**Commonwealth of Massachusetts
Executive Office of Health and Human Services**

**Appendix C
Inpatient Service Rates**

In addition, Hospitals receive individual Inpatient Service rate sheets.

(Rates appear on the following pages)

Initial Acute Hospital Inpatient Rates-HRY08-RFA08 Effective -11/1/2007-9/30/2008	Rate Code 25 UB92=X1	Rate Code 61 UB92=X5	Rate Code 28 UB92=X3	Rate Code 90 UB92=Y4	Rate Code 84 UB92=Y1	Rate Code 85 UB92=Y2	Rate Code 71	Rate Code 27 UB92=X2	Rate Code 63 UB92=X7	Rate Code 29 UB92=X4
Revised 9/25/07	Standard Payment Amt per Discharge	Standard Transfer Payment Amt	Standard Outlier Payment Amt	Mental Health Payment Amt	MassHealth w/Medicare B AD payment Amt	MassHealth Only AD payment Amt	Rehab per diem	Pediatric Payment Amt per Discharge	Transfer Payment Amt	Pediatric Outlier Payment Amt
Hospital										
ANNA JAKUES HOSPITAL	\$ 5,055.22	\$ 1,113.99	\$ 946.89	\$811.98	\$ 236.22	\$ 255.45				
ATHOL HOSPITAL	\$ 5,997.50	\$ 1,338.44	\$ 1,137.67	not applicable	\$ 236.22	\$ 255.45				
BAYSTATE MED. CTR.	\$ 9,850.29	\$ 2,094.46	\$ 1,780.29	\$811.98	\$ 236.22	\$ 255.45				
BERKSHIRE MED. CTR.	\$ 7,240.75	\$ 1,613.82	\$ 1,371.74	\$811.98	\$ 236.22	\$ 255.45	\$ 708.07			
BETH ISRAEL DEAC MED CTR	\$ 10,765.17	\$ 2,265.36	\$ 1,925.56	\$821.12	\$ 236.22	\$ 255.45				
BETH ISRAEL DEACONESS NEEDHAM	\$ 7,717.14	\$ 1,684.34	\$ 1,431.69	not applicable	\$ 236.22	\$ 255.45				
BEVERLY HOSPITAL	\$ 5,758.25	\$ 1,267.36	\$ 1,077.25	\$811.98	\$ 236.22	\$ 255.45				
BOSTON MEDICAL CENTER*	\$ 12,120.21	\$ 2,575.28	\$ 2,188.99	not applicable	\$ 236.22	\$ 255.45	\$ 708.07			
BRIGHAM & WOMEN'S HOSPITAL	\$ 9,563.95	\$ 2,065.64	\$ 1,755.80	not applicable	\$ 236.22	\$ 255.45				
BROCKTON HOSPITAL	\$ 5,014.82	\$ 1,109.49	\$ 943.07	\$811.98	\$ 236.22	\$ 255.45				
CAMBRIDGE HEALTH ALLIANCE*	\$ 5,541.53	\$ 1,235.47	\$ 1,050.15	\$811.98	\$ 236.22	\$ 255.45				
CAPE COD HOSPITAL**	\$ 5,389.13	\$ 1,198.99	\$ 1,019.14	\$811.98	\$ 236.22	\$ 255.45				
CARNEY HOSPITAL	\$ 8,689.83	\$ 1,903.61	\$ 1,618.07	\$821.12	\$ 236.22	\$ 255.45				
CHILDREN'S MEDICAL CENTER***				\$821.12	\$ 236.22	\$ 255.45		\$ 14,487.93	\$ 3,056.16	\$ 2,597.73
CLINTON HOSPITAL	\$ 7,753.13	\$ 1,716.78	\$ 1,459.26	\$811.98	\$ 236.22	\$ 255.45				
COOLEY-DICKINSON HOSPITAL	\$ 5,477.52	\$ 1,195.56	\$ 1,016.23	\$811.98	\$ 236.22	\$ 255.45				
DANA FARBER***	\$ 15,381.99	\$ 3,287.89	\$ 2,794.71	not applicable	\$ 236.22	\$ 255.45				
EMERSON HOSPITAL	\$ 4,393.13	\$ 978.29	\$ 831.55	\$811.98	\$ 236.22	\$ 255.45				
FAIRVIEW HOSPITAL	\$ 3,846.25	\$ 866.86	\$ 736.83	not applicable	\$ 236.22	\$ 255.45				
FALMOUTH HOSPITAL	\$ 4,990.92	\$ 1,114.10	\$ 946.98	not applicable	\$ 236.22	\$ 255.45				
FAULKNER HOSPITAL	\$ 8,572.50	\$ 1,801.08	\$ 1,530.92	\$821.12	\$ 236.22	\$ 255.45				
FRANKLIN MED CTR	\$ 4,988.14	\$ 1,096.97	\$ 932.43	\$811.98	\$ 236.22	\$ 255.45				
GOOD SAMARITAN MED CTR	\$ 6,223.72	\$ 1,358.32	\$ 1,154.57	\$811.98	\$ 236.22	\$ 255.45				
HALLMARK HEALTH	\$ 5,433.62	\$ 1,192.13	\$ 1,013.31	\$811.98	\$ 236.22	\$ 255.45				
HARRINGTON MEM'L HOSPITAL	\$ 3,626.94	\$ 815.33	\$ 693.03	\$811.98	\$ 236.22	\$ 255.45				
HEALTH ALLIANCE	\$ 5,105.97	\$ 1,149.05	\$ 976.69	\$811.98	\$ 236.22	\$ 255.45	\$ 708.07			
HENRY HEYWOOD HOSPITAL	\$ 4,276.76	\$ 958.72	\$ 814.91	\$811.98	\$ 236.22	\$ 255.45				

Initial Acute Hospital Inpatient Rates-HRY08-RFA08 Effective -11/1/2007-9/30/2008	Rate Code 25 UB92=X1	Rate Code 61 UB92=X5	Rate Code 28 UB92=X3 Standard Outlier Payment Amt	Rate Code 90 UB92=Y4 Mental Health Payment Amt	Rate Code 84 UB92=Y1 MassHealth w/Medicare B AD payment Amt	Rate Code 85 UB92=Y2 MassHealth Only AD payment Amt	Rate Code 71 Rehab per diem	Rate Code 27 UB92=X2 Pediatric Payment Amt per Discharge	Rate Code 63 UB92=X7 Pediatric Transfer Payment Amt	Rate Code 29 UB92=X4 Pediatric Outlier Payment Amt
Revised 9/25/07	Standard Payment Amt per Discharge	Standard Transfer Payment Amt								
Hospital										
HOLY FAMILY HOSPITAL	\$ 5,524.94	\$ 1,210.66	\$ 1,029.06	\$811.98	\$ 236.22	\$ 255.45				
HOLYOKE HOSPITAL	\$ 6,721.40	\$ 1,481.25	\$ 1,259.06	\$811.98	\$ 236.22	\$ 255.45				
HUBBARD REGIONAL HOSPITAL	\$ 7,119.23	\$ 1,592.97	\$ 1,354.03	not applicable	\$ 236.22	\$ 255.45				
JORDAN HOSPITAL	\$ 5,332.83	\$ 1,174.86	\$ 998.63	not applicable	\$ 236.22	\$ 255.45				
LAHEY CLINIC	\$ 12,783.25	\$ 2,729.94	\$ 2,320.45	not applicable	\$ 236.22	\$ 255.45				
LAWRENCE GENERAL HOSPITAL	\$ 5,548.49	\$ 1,236.17	\$ 1,050.75	not applicable	\$ 236.22	\$ 255.45				
LOWELL GENERAL HOSPITAL	\$ 4,921.06	\$ 1,085.07	\$ 922.31	not applicable	\$ 236.22	\$ 255.45				
MARLBOROUGH HOSPITAL	\$ 6,868.78	\$ 1,516.54	\$ 1,289.06	\$811.98	\$ 236.22	\$ 255.45				
MARTHA'S VINEYARD HOSPITAL**	\$ 5,098.31	\$ 1,164.16	\$ 989.54	not applicable	\$ 236.22	\$ 255.45				
MARY LANE HOSPITAL	\$ 3,856.79	\$ 886.89	\$ 753.86	not applicable	\$ 236.22	\$ 255.45				
MASS. EYE & EAR INFIRMARY***	\$ 8,209.10	\$ 1,746.51	\$ 1,484.54	not applicable	\$ 236.22	\$ 255.45				
MASS. GENERAL HOSPITAL***	\$ 11,222.02	\$ 2,351.61	\$ 1,998.86	\$821.12	\$ 236.22	\$ 255.45		\$ 24,254.67	\$ 5,101.94	\$ 4,336.65
MERCY HOSPITAL	\$ 6,322.82	\$ 1,387.46	\$ 1,179.34	\$811.98	\$ 236.22	\$ 255.45	\$ 708.07			
MERRIMACK VALLEY HOSPITAL	\$ 6,973.49	\$ 1,516.42	\$ 1,288.96	\$811.98	\$ 236.22	\$ 255.45				
METROWEST MED CTR	\$ 4,899.57	\$ 1,109.29	\$ 942.90	\$811.98	\$ 236.22	\$ 255.45				
MILFORD REGIONAL MEDICAL CTR	\$ 4,937.42	\$ 1,106.68	\$ 940.68	not applicable	\$ 236.22	\$ 255.45				
MILTON HOSPITAL	\$ 7,914.84	\$ 1,693.74	\$ 1,439.68	not applicable	\$ 236.22	\$ 255.45				
MORTON HOSPITAL	\$ 5,398.76	\$ 1,199.11	\$ 1,019.24	\$811.98	\$ 236.22	\$ 255.45				
MOUNT AUBURN HOSPITAL	\$ 5,661.02	\$ 1,268.77	\$ 1,078.46	\$811.98	\$ 236.22	\$ 255.45				
NANTUCKET COTTAGE HOSP**	\$ 13,578.80	\$ 3,036.33	\$ 2,580.88	not applicable	\$ 236.22	\$ 255.45				
NASHOBA VALLEY MED CTR	\$ 7,806.06	\$ 1,715.32	\$ 1,458.03	not applicable	\$ 236.22	\$ 255.45				
NEW ENGLAND BAPTIST HOSPITAL	\$ 13,259.19	\$ 2,815.54	\$ 2,393.21	not applicable	\$ 236.22	\$ 255.45				
NEW ENGLAND MEDICAL CTR***	\$ 10,302.15	\$ 2,184.61	\$ 1,856.92	\$821.12	\$ 236.22	\$ 255.45		\$ 22,586.87	\$ 4,681.63	\$ 3,979.38
NEWTON-WELLESLEY HOSPITAL	\$ 6,583.63	\$ 1,457.46	\$ 1,238.85	\$811.98	\$ 236.22	\$ 255.45				
NOBLE HOSPITAL	\$ 8,092.45	\$ 1,763.00	\$ 1,498.55	\$811.98	\$ 236.22	\$ 255.45	\$ 708.07			
NORTH ADAMS HOSPITAL	\$ 4,321.29	\$ 982.93	\$ 835.49	\$811.98	\$ 236.22	\$ 255.45				
NORTH SHORE MEDICAL CENTER	\$ 5,891.32	\$ 1,298.34	\$ 1,103.59	\$811.98	\$ 236.22	\$ 255.45				
NORWOOD HOSPITAL	\$ 5,445.89	\$ 1,198.99	\$ 1,019.14	\$811.98	\$ 236.22	\$ 255.45				
QUINCY MEDICAL CENTER	\$ 7,031.57	\$ 1,520.44	\$ 1,292.38	\$821.12	\$ 236.22	\$ 255.45				

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Revised 9/25/07	Standard Payment Amt per Discharge	Standard Transfer Payment Amt								
Hospital										
SAINTS MEM MED CTR	\$ 6,082.19	\$ 1,324.20	\$ 1,125.57	not applicable	\$ 236.22	\$ 255.45				
SOUTH SHORE HOSPITAL	\$ 5,614.61	\$ 1,238.08	\$ 1,052.36	not applicable	\$ 236.22	\$ 255.45				
SOUTHCOAST	\$ 6,418.88	\$ 1,390.78	\$ 1,182.16	\$811.98	\$ 236.22	\$ 255.45	\$ 708.07			
ST. ANNE'S OF F.R. HOSPITA	\$ 6,522.43	\$ 1,408.88	\$ 1,197.55	not applicable	\$ 236.22	\$ 255.45				
ST. ELIZABETH'S HOSPITAL	\$ 8,796.45	\$ 1,888.74	\$ 1,605.43	\$821.12	\$ 236.22	\$ 255.45				
ST. VINCENT'S HOSPITAL	\$ 7,560.10	\$ 1,654.91	\$ 1,406.68	\$811.98	\$ 236.22	\$ 255.45				
STURDY MEMORIAL HOSPITAL	\$ 5,190.92	\$ 1,148.06	\$ 975.85	not applicable	\$ 236.22	\$ 255.45				
UMASS MEMORIAL MED. CTR.	\$ 10,072.69	\$ 2,130.71	\$ 1,811.11	\$811.98	\$ 236.22	\$ 255.45				
WINCHESTER HOSPITAL	\$ 5,033.66	\$ 1,117.53	\$ 949.90	not applicable	\$ 236.22	\$ 255.45				
WING MEMORIAL HOSPITAL	\$ 7,528.36	\$ 1,632.36	\$ 1,387.50	\$811.98	\$ 236.22	\$ 255.45				

* Public Service Hospital Providers

** Sole Community Hospital

*** Specialty Hospitals and Pediatric Specialty Units

**Commonwealth of Massachusetts
Executive Office of Health and Human Services**

**Appendix D
Hospital-Specific PAPE Rates Effective 11/01/07**

(Rates appear on the following pages)

Appendix D

Hospital-Specific PAPE Rates Effective 11/01/07

PROVIDER NAME	PAPE HRY 2008
ANNA JAKES HOSPITAL	\$215.84
ATHOL MEMORIAL HOSPITAL	\$185.61
BAYSTATE MEDICAL CENTER INC	\$273.70
BERKSHIRE MEDICAL CENTER	\$309.26
BETH ISRAEL HOSPITAL	\$339.10
BOSTON MEDICAL CENTER	\$266.62
BRIGHAM & WOMEN'S HOSPITAL	\$222.59
BROCKTON HOSPITAL INC.	\$228.67
CAMBRIDGE HEALTH ALLIANCE	\$246.76
CAPE COD HOSPITAL	\$289.98
CARITAS GOOD SAMARITAN MEDICAL CENTER	\$257.14
CARITAS NORWOOD HOSPITAL	\$304.49
CARNEY HOSPITAL	\$236.86
CHILDREN'S HOSPITAL	\$683.09
CLINTON HOSPITAL	\$132.91
COOLEY-DICKINSON HOSPITAL	\$458.54
DANA-FARBER CANCER INSTITUTE	\$1348.91
DEACONESS-GLOVER HOSPITAL	\$223.68
EMERSON HOSPITAL	\$316.64
FAIRVIEW HOSPITAL	\$331.22
FALMOUTH HOSPITAL	\$309.55
FAULKNER HOSPITAL INC	\$239.53
FRANKLIN MEDICAL CENTER	\$239.23
HALLMARK HEALTH	\$211.66
HARRINGTON MEMORIAL HOSPITAL	\$300.04
HEALTH ALLIANCE HOSPITALS	\$228.69
HEYWOOD HOSPITAL	\$193.15
HOLY FAMILY HOSPITAL INC.	\$196.66
HOLYOKE HOSPITAL INC.	\$266.86
HUBBARD REGIONAL HOSPITAL	\$139.20
JORDAN HOSPITAL INC.	\$271.79
LAHEY CLINIC HOSPITAL INC.	\$307.39
LAWRENCE GENERAL HOSPITAL	\$238.96
LOWELL GENERAL HOSPITAL	\$229.33
MARLBOROUGH HOSPITAL	\$216.34
MARTHAS VINEYARD HOSPITAL	\$329.82

Appendix D

Hospital-Specific PAPE Rates (continued)

PROVIDER NAME	PAPE HRY 2008
MARY LANE HOSPITAL	\$160.27
MASS EYE & EAR INFIRMARY	\$537.98
MASS GENERAL HOSPITAL	\$318.48
MERCY HOSPITAL	\$197.05
MERRIMACK VALLEY HOSPITAL	\$258.91
METROWEST MEDICAL CENTER (COLUMBIA)	\$233.76
MILFORD HOSPITAL	\$236.51
MILTON MEDICAL CENTER	\$262.32
MORTON HOSPITAL INC.	\$194.83
MOUNT AUBURN HOSPITAL	\$296.70
NANTUCKET COTTAGE HOSPITAL	\$242.93
NASHOBA VALLEY MEDICAL CENTER	\$295.88
NEW ENGLAND BAPTIST HOSPITAL	\$218.19
NEWTON-WELLESLEY HOSPITAL	\$197.30
NOBLE HOSPITAL	\$170.60
NORTH ADAMS REGIONAL HOSPITAL	\$229.53
NORTH SHORE MEDICAL CENTER	\$263.66
NORTHEAST (BEVERLY HOSPITAL CORP)	\$277.33
QUINCY MEDICAL CENTER	\$202.53
SAINT VINCENT HOSPITAL	\$282.79
SAINTS MEMORIAL MEDICAL CENTER	\$337.80
SOUTH SHORE HOSPITAL	\$282.09
SOUTHCOAST HOSPITAL	\$234.95
ST ANNE'S HOSPITAL	\$342.65
ST ELIZABETH HOSPITAL	\$244.30
STURDY MEMORIAL HOSPITAL	\$207.30
TUFTS NEW ENGLAND MEDICAL CENTER	\$235.80
UMASS MEMORIAL MEDICAL CENTER	\$247.46
WINCHESTER HOSPITAL	\$217.70
WING MEMORIAL HOSPITAL	\$123.76

Hospital	Estimated Health Safety Net Payments (HFY 2008)
Anna Jaques Hospital	\$1,296,651
Athol Memorial Hospital	\$317,147
Baystate Franklin Medical Center	\$1,394,367
Baystate Mary Lane Hospital	\$625,303
Baystate Medical Center	\$9,666,828
Berkshire/Hillcrest	\$4,299,089
Beth Israel Deaconess Hospital - Needham	\$190,963
Beth Israel Deaconess Medical Center	\$17,307,528
Boston Medical Center	\$84,477,860*
Brigham and Women's Hospital	\$14,407,006
Brockton Hospital	\$6,148,300
Cambridge Health Alliance	\$62,203,439**
Cape Cod Hospital	\$4,645,855
Caritas Carney Hospital	\$3,097,125
Caritas Good Samaritan Medical Center	\$3,983,867
Caritas Holy Family Hospital and Medical Center	\$2,546,300
Caritas Norwood Hospital	\$2,066,707
Caritas St. Elizabeth's Medical Center	\$3,833,500
Children's Hospital Boston	\$8,179,974
Clinton Hospital	\$326,676
Cooley Dickinson Hospital	\$1,190,613
Dana-Farber Cancer Institute	\$2,530,965
Emerson Hospital	\$919,594
Fairview Hospital	\$666,988
Falmouth Hospital	\$1,613,203
Faulkner Hospital	\$1,460,276
Hallmark Health System, Inc.	\$2,765,777
Harrington Memorial Hospital	\$600,989
Health Alliance Hospitals, Inc.	\$1,530,361
Heywood Hospital	\$1,107,848
Holyoke Medical Center	\$1,978,508
Hubbard Regional Hospital	\$1,745,968
Jordan Hospital	\$3,609,082
Lahey Clinic	\$3,220,290
Lawrence General Hospital	\$5,513,079
Lowell General Hospital	\$2,382,608
Marlborough Hospital	\$1,409,182
Martha's Vineyard Hospital	\$3,237,505
Massachusetts Eye and Ear Infirmary	\$892,766
Massachusetts General Hospital	\$39,946,075
Mercy Medical Center	\$3,795,756
Merrimack Valley Hospital	\$1,125,303
MetroWest Medical Center	\$4,987,853
Milford Regional Medical Center	\$1,621,251
Milton Hospital	\$447,075
Morton Hospital and Medical Center	\$2,790,396
Mount Auburn Hospital	\$2,735,836

Nantucket Cottage Hospital	\$917,805
Nashoba Valley Medical Center	\$785,069
New England Baptist Hospital	\$166,479
Newton-Wellesley Hospital	\$1,893,809
Noble Hospital	\$707,328
North Adams Regional Hospital	\$846,607
North Shore Medical Center, Inc.	\$6,059,618
Northeast Health System	\$3,705,567
Quincy Medical Center	\$1,635,232
Saint Anne's Hospital	\$2,395,393
Saint Vincent Hospital	\$3,240,477
Saints Memorial Medical Center	\$2,199,837
South Shore Hospital	\$2,762,155
Southcoast Hospitals Group	\$11,259,863
Sturdy Memorial Hospital	\$2,044,141
Tufts-New England Medical Center	\$6,749,322
UMass Memorial Medical Center	\$17,107,542
Winchester Hospital	\$1,293,679
Wing Memorial Hospital and Medical Centers	\$1,900,996
TOTAL	\$394,510,552

NOTES:

The projected rate year 2008 payment amounts presented here are estimated, gross amounts which do not reflect any shortfall allocation or reserve withholds.

Actual payment amounts will vary depending on the actual volume of each hospital.

* Includes \$20 million in payments from the Medical Assistance Trust Fund

** Includes \$50 million in payments from the Medical Assistance Trust Fund

Does not include \$23.5M in additional payments which have not yet been allocated by hospital.